

Utility Account	Asset Location/Description	Total	Test Year Amortization Expense	Amortization Period	Amort Rate	Calculated Amount	Adjustment Amount
30100 - Organization Costs	Louisiana General Plant Equipment (except Land & Buildings) . SEP : LAGEN	\$12,201.82	\$0.00	0 Years	0.0000%	\$0.00	\$0.00
30300 - Intangible Property	Capitalized Software - Cloud SEP 9303CLD	\$456,929.04	\$8,723.23	5 Years	17.0696%	\$77,995.75	\$69,272.52
30300 - Intangible Property	Capitalized Software - Dell SEP 9303DELL	\$2,687,748.53	\$537,549.84	5 Years	17.0696%	\$458,786.72	(\$78,763.12)
30300 - Intangible Property	Capitalized Software - High Availability Data Center . SEP . 9303HAV	\$5,360,897.35	\$1,072,179.36	5 Years	17.0696%	\$915,081.33	(\$157,098.03)
30300 - Intangible Property	Capitalized Software Fully Depreciated SEP . 9303FD	\$10,871,694.73	\$0.00	0 Years	17.0696%		\$0.00
30300 - Intangible Property	Capitalized Software, TX : SEP . 9303TX	\$18,679,691.35	\$4,089,740.07	5 Years	17.0696%	\$3,188,540.22	(\$901,199.85)
30300 - Intangible Property	Capitalized Software-SEP GENERAL	\$63,496,389.51	\$10,116,709.43	5 Years	17.0696%	\$10,838,551.22	\$721,841.79
30300 - Intangible Property	Flint Creek Generating Plant . SEP PPFLC	\$764,476.93	\$29,628.60	5 Years	17.0696%	\$130,492.81	\$100,864.21
30300 - Intangible Property	HCP and NEPA Study for American Burying Beetle (ABB) . SEP . ABBAR	\$61,818.93	\$2,166.72	5 Years	17.0696%	\$10,552.22	\$8,385.50
30300 - Intangible Property	HCP and NEPA Study for American Burying Beetle (ABB) . SEP ABBTX	\$37,958.53	\$1,165.92	5 Years	17.0696%	\$6,479.35	\$5,313.43
30300 - Intangible Property	Mattison Interconnect SEP : HDMINTC	\$523,300.91	\$4,466.53	5 Years	17.0696%	\$89,325.14	\$84,858.61
30300 - Intangible Property	Stall Interconnect . SEP : PPSTAINTC	\$202,867.49	(\$37,193.90)	5 Years	17.0696%	\$34,628.58	\$71,822.48
30300 - Intangible Property	Welsh Generating Plant SEP PPWSH	\$337,027.84	\$49,778.21	5 Years	17.0696%	\$57,529.15	\$7,750.94
30300 - Intangible Property	Capitalized Software - Oracle : SEP 9303ORA	\$12,638,903.77	\$1,264,025.22	10 Years	17.0696%	\$2,157,404.65	\$893,379.43
30300 - Intangible Property	Capitalized Software - Maximo : SEP . 9303MAX	\$16,948,195.48	\$281,834.94	15 Years	17.0696%	\$2,892,981.57	\$2,611,146.63
		\$133,080,102.21	\$17,420,774.17			\$20,858,348.71	\$3,437,574.54

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-11:

Does SWEPCO's proposed adjustment to remove test year operations and maintenance expenses associated with the Knox Lee, Lone Star, and Lieberman plants include property insurance expenses? If not, please provide the amount of test year property insurance included in the requested revenue requirement for each plant.

Response No. STAFF 9-11:

SWEPCO's proposed adjustment to remove test year operations and maintenance expenses associated with the Knox Lee, Lone Star, and Lieberman plants did not include property insurance expenses. Property insurance is not allocated at the plant level.

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S FIFTH REQUEST FOR INFORMATION**

Question No. Staff 5-57:

Does SWEPCO directly incur costs such as payroll, operations and maintenance, insurance, ad valorem and other taxes related to the operation of Dolet Hills or is the Company billed for such items by Cleco? Please provide a detailed discussion and explanation for how SWEPCO is billed and pays for its share of costs related to Dolet Hills and provide all test year amounts, adjustments to test year, and requested amounts by FERC account related to the Dolet Hills plant. The information should be presented separately by SWEPCO's directly incurred costs and those billed to SWEPCO by Cleco.

Response No. Staff 5-57:

SWEPCO does not directly incur O&M costs related to the operation of the Dolet Hills power plant. Those costs are billed by Cleco. The Dolet Hills Operating Agreement, provided in the response to CARD 1-2 (HIGHLY SENSITIVE Attachment 1) governs the billings from CLECO to SWEPCO and then the billings from SWEPCO to Northeast Texas Electric Cooperative, Inc. (NTEC) and Oklahoma Municipal Power Authority (OMPA). Basically, CLECO bills SWEPCO 50% of the O&M for Dolet Hills and then SWEPCO bills NTEC 5.86% and OMPA 3.906% for their ownership share. Thus, after all billings, SWEPCO's books reflect its ownership share (40.234%) of Dolet Hills O&M billed by CLECO. SWEPCO incurs its own ad valorem taxes for the Dolet Hills power plant. Please see the response to Staff 5-9 for the amount of property taxes associated with Dolet Hills. Total Dolet Hills O&M, including an allocation of SWEPCO production costs not directly incurred by the plant, is provided on Schedule H-1.2(c). Please see Staff 5-57 Attachment 1 for a break-out of the costs between those billed by Cleco, including property insurance, and the allocated other SWEPCO production costs.

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Prepared By: Randall W. Hamlett

Title: Dir Regulatory Acctg Svcs

Prepared By: Christopher N. Martel

Title: Regulatory Consultant Sr

Sponsored By: Thomas P. Brice

Title: VP Regulatory & Finance

SOAH Docket No 473-21-0538
PUC Docket No 51415
Staff 5th, Q # Staff 5-57
Attachment 1

SOUTHWESTERN ELECTRIC POWER COMPANY
Dolet Hills Expense
For the Test Year Ending March 31, 2020

FERC	Description	Total Test Year Costs	Cleco billings	Allocation of Non-plant Specific Costs
<u>Steam Power Generation - Operation</u>				
5000	Oper Supervision & Engineering	1,000,513 28	582,587 11	417,926 17
5020	Steam Expenses	1,357,843 58	1,358,017 16	(173 58)
5050	Electric Expenses	483,234 10	483,380 20	(146 10)
5060	Misc Steam Power Expenses	3,807,765 88	3,714,591 69	93,174 20
5070	Rents	634 42		634 42
		<u>6,649,991 25</u>	<u>6,138,576 15</u>	<u>511,415 11</u>
<u>Steam Power Generation - Maintenance</u>				
5100	Maint Supv & Engineering	394,249 24	367,798 93	26,450 31
5110	Maintenance of Structures	200,177 01	199,917 59	259 42
5120	Maintenance of Boiler Plant	3,947,060 62	3,940,951 84	6,108 78
5130	Maintenance of Electric Plant	174,758 38	175,336 44	(578 06)
5140	Maintenance of Misc Steam Plt	1,100,713 22	1,099,916 85	796 37
		<u>5,816,958 45</u>	<u>5,783,921 64</u>	<u>33,036 81</u>
<u>Other Power Generation - Operation</u>				
5480	Generation Expenses	(3 02)		(3 02)
5490	Misc Other Pwr Generation Exp	3 38		3 38
		<u>0 36</u>	<u>-</u>	<u>0 36</u>
<u>Other Power Generation - Maintenance</u>				
5510	Maint Supv & Engineering	(1 07)		(1 07)
5530	Maintenance of Generating Plt	(7 15)		(7 15)
		<u>(8 22)</u>	<u>-</u>	<u>(8 22)</u>
Total Production O&M (excluding Fuel and Purchased Power)		<u>12,466,941 85</u>	<u>11,922,497 79</u>	<u>544,444 07</u>
9240	Property Insurance	<u>442,574 00</u>	<u>442,574 00</u>	<u>-</u>
Total Expense		<u>12,909,515 85</u>	<u>12,365,071 79</u>	<u>544,444 07</u>

Staff Adjustments Related to Retired Generating Units

Plant	Utility Account	Month Number	Activity Cost	Unit 4 Retired Jan 2019 Assume Same Avg. NBV as Other 2 Units	Total Knox Lee Retirements	SWEPCO Requested Depreciation Rate D-4	Staff Depreciation Expense Adjustment
Knox Lee Generating Plant	31230 - Boiler Plant Equip-Oil/Gas	202005	(1,418,917)	(709,459)	(2,128,376)	3.28%	(69,811)
Knox Lee Generating Plant	31230 - Boiler Plant Equip-Oil/Gas	202005	(1,337,150)	(668,575)	(2,005,725)	3.28%	(65,788)
Knox Lee Generating Plant	31430 - Turbogenerator Units-Oil/Gas	202005	(1,286,941)	(643,471)	(1,930,412)	3.62%	(69,881)
Knox Lee Generating Plant	31430 - Turbogenerator Units-Oil/Gas	202005	(1,197,489)	(598,744)	(1,796,233)	3.62%	(65,024)
Knox Lee Generating Plant	31730 - ARO Steam Prod Plnt Oil/Gas	202005	(968,072)	(484,036)	(1,452,108)	1.89%	(27,490)
Knox Lee Generating Plant	31730 - ARO Steam Prod Plnt Oil/Gas	202005	(975,981)	(487,990)	(1,463,971)	1.89%	(27,714)
Knox Lee Units 2 & 3 NBV at Retirement in May of 2020			(7,184,550)	(3,592,275)	(10,776,824)		(325,707)
Lieberman Generating Plant	31230 - Boiler Plant Equip-Oil/Gas	202005	(609,654)		(609,654)	8.19%	(49,931)
Lieberman Generating Plant	31430 - Turbogenerator Units-Oil/Gas	202005	(988,413)		(988,413)	7.54%	(74,526)
Lieberman Generating Plant	31730 - ARO Steam Prod Plnt Oil/Gas	202005	(40,752)		(40,752)	6.26%	(2,549)
Lieberman NBV at Retirement			(1,638,820)		(1,638,820)		(127,006)
Lone Star Generating Plant	31230 - Boiler Plant Equip-Oil/Gas				(315,149)	0	
Lone Star Generating Plant	31430 - Turbogenerator Units-Oil/Gas				(313,242)	0	
Lone Star Generating Plant	31730 - ARO Steam Prod Plnt Oil/Gas				(196,435)	6.22%	(12,226)
Lone Star NBV at retirement			(824,826)		(824,826)	0	(12,226)
Total Plant Retirements			(9,648,195)	(3,592,275)	(13,240,470)		(464,939)

Staff Adjustment to Net Plant for Retirements:

Retirements by FERC Acct Knox Lee & Lieberman	Amount	Percentage	Allocate	
			Lone Star	
31230 - Boiler Plant Equip-Oil/Gas	(4,743,755)	38%	(315,149)	(5,058,903)
31430 - Turbogenerator Units-Oil/Gas	(4,715,058)	38%	(313,242)	(5,028,300)
31730 - ARO Steam Prod Plnt Oil/Gas	(2,956,831)	24%	(196,435)	(3,153,267)
Total Allocated Plant Retirements	(12,415,644)	100%	(824,826)	(13,240,470)

Reasonableness Check

Knox Lee NBV at TYE \$13,603,768 Response to Staff 5-66
Units 4, 2 & 3 Retired, Unit 5 Still in service
\$13,603,768 ÷ 4 times 3 =

10,202,826

Lieberman NBV at TYE \$6,231,201 Response to Staff 5-66
Unit 2 retired, Units 3 & 4 Still in service
\$6,231,201 ÷ 3 =

2,077,067

Lone Star - No units left in service
NBV at TYE = \$1,067,340 Response to Staff 5-66
Reasonableness check of Staff plant retirement, above

1067340
13,347,233

Staff Regulatory Asset Balance and Amortization Expense

Regulatory Asset Balance	13,240,470
Number of years in amortization period	4
Staff Amortization Expense	3,310,118

Staff Property Tax Adjustment: Exclude Retired Unit NBV from Ad Valorem Tax Calculation

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S FIFTEENTH REQUEST FOR INFORMATION**

Question No. Staff 15-1:

Refer to the response to Staff 5-66, Attachment 1. Please provide the amounts included on this schedule separately by unit for each plant.

Response No. Staff 15-1:

The Company does not track plant values by individual units within its property records. As such, the requested information is not available. Please refer to CARD 9-2 for the net book value of the Knox Lee and Lieberman Plants in the month prior to retirement (April and May 2020) and the amounts recorded for the retirement for the units at each plant in May 2020. Please see CARD 9-2 Attachment 1.xlsx for this information. The net book value of the Lone Star plant at retirement was \$824,826.17 as noted in the response to CARD 9-2.

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES
ADVOCATING REASONABLE DEREGULATION'S NINTH SET OF REQUESTS FOR
INFORMATION**

Question No. CARD 9-2:

Reference SWEPCO's response to CARD 1-15, please provide the retirement date, age at retirement, net dependable capacity, and net book value for each of the referenced retirements at the Knox Lee, Lone Star and Lieberman plants.

Response No. CARD 9-2:

See page 9, line 20 through page 10, line 20 of Company witness McMahon's direct testimony, for Knox Lee Units 2-4, Lieberman Unit 2, and Lone Star Unit 1 retirement dates, age at retirement, and MW capacity.

For Lone Star, the net book value at retirement was \$824,826.17.

For Knox Lee and Lieberman, the Company does not track these plants by individual units within its property records and therefore the net book value of each unit at retirement is not available. The Company's accounting treatment of the retired units was performed in accordance with FERC's Code of Federal Regulations, Title 18, Conservation of Power and Water Resources, part 101, Electric Plant Instructions, item 10 Additions and Retirements of Electric Plant, Paragraph B, (2) which states:

"(2) When a retirement unit is retired from electric plant, with or without replacement, the book cost thereof shall be credited to the electric plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to electric plant shall be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and the salvage shall be charged to or credited, as appropriate, to such depreciation account."

Since the net book value of each unit at retirement is not available, the Company can provide the net book value of the Knox Lee and Lieberman Plants in the month prior to retirement (April and May 2020) and the amounts recorded for the retirement for the units at each plant in May 2020. Please see CARD 9-2 Attachment 1.xlsx for this information.

Prepared By: Tara D. Beske

Title: Regulatory Consultant Staff

Sponsored By: Jason A. Cash

Title: Accounting Sr Mgr

Sponsored By: Monte A. McMahon

Title: VP Generating Assets SWEPCO

Company	Plant	Utility Account	Month	Book Cost	Allocated Reserve	Net Book Value
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31030 - Land - Oil/Gas	04/2020	\$102,781.04	\$0.00	\$102,781.04
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31130 - Struct, Improvemnts-Oil/Gas	04/2020	\$9,077,082.69	\$7,998,297.96	\$1,078,784.73
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31230 - Boiler Plant Equip-Oil/Gas	04/2020	\$32,773,283.15	\$28,308,403.80	\$4,464,879.35
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31430 - Turbogenerator Units-Oil/Gas	04/2020	\$18,087,784.23	\$14,946,587.96	\$3,141,196.27
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31530 - Accssry Elect Equip-Oil/Gas	04/2020	\$4,671,832.42	\$2,952,861.38	\$1,718,971.04
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31630 - Misc Pwr Plt Equip-Oil/Gas	04/2020	\$2,053,745.20	\$1,792,989.52	\$260,755.68
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31730 - ARO Steam Prod Plnt Oil/Gas	04/2020	\$3,294,854.12	\$1,227,467.63	\$2,067,386.49
				\$70,061,362.85	\$57,226,608.25	\$12,834,754.60
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31030 - Land - Oil/Gas	04/2020	\$24,026.38	\$0.00	\$24,026.38
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31130 - Struct, Improvemnts-Oil/Gas	04/2020	\$5,407,423.32	\$3,852,585.24	\$1,554,838.08
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31230 - Boiler Plant Equip-Oil/Gas	04/2020	\$20,004,188.70	\$17,818,352.68	\$2,185,836.02
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31430 - Turbogenerator Units-Oil/Gas	04/2020	\$11,758,614.06	\$11,144,785.62	\$613,828.44
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31530 - Accssry Elect Equip-Oil/Gas	04/2020	\$3,471,047.38	\$2,408,040.87	\$1,063,006.51
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31630 - Misc Pwr Plt Equip-Oil/Gas	04/2020	\$2,320,379.96	\$1,953,042.88	\$367,337.08
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31730 - ARO Steam Prod Plnt Oil/Gas	04/2020	\$1,263,344.24	\$940,324.21	\$323,020.03
				\$44,249,024.04	\$38,117,131.50	\$6,131,892.54

Company	Plant	Utility Account	Month	Book Cost	Allocated Reserve	Net Book Value
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31030 - Land - Oil/Gas	05/2020	\$102,781.04	\$0.00	\$102,781.04
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31130 - Struct, Improvemnts-Oil/Gas	05/2020	\$9,077,082.69	\$8,017,889.34	\$1,059,193.35
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31230 - Boiler Plant Equip-Oil/Gas	05/2020	\$30,017,216.23	\$25,635,089.42	\$4,382,126.81
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31430 - Turbogenator Units-Oil/Gas	05/2020	\$15,603,354.34	\$12,503,759.95	\$3,099,594.39
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31530 - Accssry Elect Equip-Oil/Gas	05/2020	\$4,671,832.42	\$2,965,631.07	\$1,706,201.35
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31630 - Misc Pwr Plt Equip-Oil/Gas	05/2020	\$2,053,745.20	\$1,800,057.83	\$253,687.37
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31730 - ARO Steam Prod Plnt Oil/Gas	05/2020	\$1,350,801.30	\$490,484.77	\$860,316.53
				\$62,876,813.22	\$51,412,912.38	\$11,463,900.84
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31030 - Land - Oil/Gas	05/2020	\$24,026.38	\$0.00	\$24,026.38
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31130 - Struct, Improvemnts-Oil/Gas	05/2020	\$5,407,423.32	\$3,865,337.74	\$1,542,085.58
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31230 - Boiler Plant Equip-Oil/Gas	05/2020	\$19,394,534.26	\$17,267,210.46	\$2,127,323.80
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31430 - Turbogenator Units-Oil/Gas	05/2020	\$10,770,200.95	\$10,187,336.85	\$582,864.10
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31530 - Accssry Elect Equip-Oil/Gas	05/2020	\$3,471,047.38	\$2,420,941.60	\$1,050,105.78
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31630 - Misc Pwr Plt Equip-Oil/Gas	05/2020	\$2,320,379.96	\$1,966,907.15	\$353,472.81
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31730 - ARO Steam Prod Plnt Oil/Gas	05/2020	\$1,222,592.12	\$906,158.22	\$316,433.90
				\$42,610,204.37	\$36,613,892.02	\$5,996,312.35

Company	Plant	Utility Account	Month Number	FERC Act Code	Work Order	Activity Cost
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31230 - Boiler Plant Equip-Oil/Gas	202005	Retirement	E10141358	(\$1,418,917.00)
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31230 - Boiler Plant Equip-Oil/Gas	202005	Retirement	E10141367	(\$1,337,149.92)
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31430 - Turbogenator Units-Oil/Gas	202005	Retirement	E10141358	(\$1,286,941.05)
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31430 - Turbogenator Units-Oil/Gas	202005	Retirement	E10141367	(\$1,197,488.84)
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31730 - ARO Steam Prod Plnt Oil/Gas	202005	Retirement	E10141358	(\$968,072.03)
Southwestern Electric Pwr - Gen	Knox Lee Generating Plant	31730 - ARO Steam Prod Plnt Oil/Gas	202005	Retirement	E10141367	(\$975,980.79)
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31230 - Boiler Plant Equip-Oil/Gas	202005	Retirement	E10141217	(\$609,654.39)
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31430 - Turbogenator Units-Oil/Gas	202005	Retirement	E10141217	(\$988,413.11)
Southwestern Electric Pwr - Gen	Lieberman Generating Plant	31730 - ARO Steam Prod Plnt Oil/Gas	202005	Retirement	E10141217	(\$40,752.12)

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FIFTH REQUEST FOR INFORMATION**

Question No. OPUC 5-7:

Please refer to the Direct Testimony of Mr. Michael Baird, page 23. Please provide a calculation of the amount by which the retirement of Dolet Hills and the proposal to recover the unrecovered undepreciated balance (after the TCJA refund offset) impacts the revenue requirement for Texas customers by customer class. Please provide the same analysis of the impact to the Texas revenue requirement by customer classes if the unrecovered undepreciated balance is not allowed to be recovered over four years, but continues to be recovered using the currently approved depreciation rates.

Response No. OPUC 5-7:

Please see OPUC 5-7 Attachment 1 for the requested revenue requirement by customer class for SWEPCO's proposed recovery of Dolet Hills over four years including supporting calculations. SWEPCO has not performed a calculation for recovery of Dolet Hills using the currently approved depreciation rates.

Prepared By: Earlyne T. Reynolds

Title: Reg Pricing & Analysis Mgr

Prepared By: Randall W. Hamlett

Title: Dir Regulatory Acctg Svcs

Sponsored By: Jennifer L. Jackson

Title: Reg Pricing & Analysis Mgr

Sponsored By: John O. Aaron

Title: Dir Reg Pricing & Analysis

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Southwestern Electric Power Company
Dolet Hills Proposal Total Company Revenue Requirement

Description	Amount	Source
Remaining Net Book Value	40,483,505	MAB-4
WACC Grossed up for Taxes	8.5822%	Schedule K Calculation
Return Plus Income Taxes	3,474,389	Calculation
Property Taxes	2,835,700	TIEC 1-24
Gross Margin Tax		
Gross Operating Revenue	29,434,851	Total Revenue Requirement
Taxable Revenue Percent	70.0%	Statute
Taxable Revenue	20,604,396	Calculation
Taxable Margin Percent	0.750%	Statute
Gross Margin Tax	154,533	Calculation
Revenue Tax Factors	1.2992%	WP A-3.13
Revenue Taxes	382,411	Calculation
Depr/Amort Expense	10,120,876	MAB-4
O&M Expense	12,466,942	Sch H-2
Total Revenue Requirement	<u>29,434,851</u>	Calculation

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-8:

Please provide separately the amount of fuel expenses incurred for the Dolet Hills power plant included in reconcilable fuel expenses for the test year and the amount included in the requested base rate revenue requirement by FERC account.

Response No. STAFF 9-8:

The amount of fuel expenses incurred for the Dolet Hills power plant included in reconcilable fuel expenses for the test year was \$53,859,801 in FERC account 5010, and \$1,628,276 in FERC account 5020. The amount included in the requested base rate revenue requirement was \$1,847,918 in FERC account 5010, and \$1,358,017 in FERC account 5020.

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S FIFTH REQUEST FOR INFORMATION**

Question No. Staff 5-61:

Refer to the testimony of Michael A. Baird at page 37, lines 1-8. Please provide a detailed explanation of the calculation of the \$1,418,666 of DHLC equity return and related taxes included in the requested base revenue requirement and identify where both are included in SWEPCO's request by schedule number, line number, and FERC account number. Please also provide citations to orders (including specific findings of fact) from Docket Nos. 40443 and 46449 related to inclusion of this equity return in base rates.

Response No. Staff 5-61:

In accordance with the DHLC Lignite Mining agreement the equity return is "based upon the Initial Capitalization of Miner and any added amounts approved by the Executive Committee to be financed by Miner through Miner's Loans and Leases or equity contributed to Miner by member(s). The amount of equity contributed by Miner's member(s) shall not exceed 30% of the total capitalization of Miner, or such other amount approved by the LPSC from time to time. The rate of return on equity contributed by SWEPCO or any Affiliate of SWEPCO shall be the LPSC authorized return on equity in the most recent SWEPCO rate case." Related taxes are income taxes associated with this equity return. As noted in the Direct Testimony of Teresa J. Kraske, page 13, lines 6 - 9, in Docket No. 50997 (SWEPCO's on-going fuel reconciliation), in the Stipulation in Docket No. 28045, SWEPCO agree that the equity component of the charges for lignite supplied by the DHLC would be removed from eligible fuel expense. Consistent with that Stipulation SWEPCO has excluded this cost from fuel and included this cost in base rates, including Docket Nos. 40443, 46449 and in this case. The DHLC equity return is included in fuel expense Account 501 and included in Schedule A, Line 3 (detail by FERC Account is provided in WP-A). Please see Finding of Fact 153 in Docket No. 40443. The Order in Docket No. 46449 does not contain a similar finding. However, as explained in the Direct Testimony of Randall W. Hamlett in Docket No. 46449 (page 33, lines 12 - 19), SWEPCO did include the DHLC equity return and related taxes in that filing in compliance with 16 TAC § 23.236(a)(1). No party objected to that treatment.

Prepared By: Randall W. Hamlett

Title: Dir Regulatory Acctg Svcs

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S FIFTH REQUEST FOR INFORMATION**

Question No. Staff 5-56:

Have any of the \$180 million in estimated fuel savings been reflected in the Company's request in this proceeding or in the ongoing fuel reconciliation, Docket No. 50997? If so, identify the amounts and where they are reflected and if not, why not?

Response No. Staff 5-56:

No, none of the estimated savings have been reflected in either this proceeding or Docket No. 50997. The ongoing fuel reconciliation, Docket No. 50997, goes through December 2019 while this proceeding is based on a historic test year. The estimated savings in question would not begin to be realized until 2022, after both of these proceedings have been completed.

Prepared By: Christopher N. Martel

Title: Regulatory Consultant Sr

Sponsored By: Thomas P. Brice

Title: VP Regulatory & Finance

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO
CITIES ADVOCATING REASONABLE DEREGULATION'S
SECOND SET OF REQUESTS FOR INFORMATION**

Question No. CARD 2-13:

Please provide any adjustments proposed by SWEPCO to Dolet Hills non-fuel O&M expenses or AEPSC billings to SWEPCO to reflect the anticipated retirement of Dolet Hills.

Response No. CARD 2-13:

SWEPCO has not proposed any adjustments related to Dolet Hills non-fuel O&M expenses or AEPSC billings to SWEPCO to reflect the anticipated retirement of Dolet Hills no later than December 31, 2021. As such, SWEPCO anticipates that Dolet Hills will be providing service to customers at the beginning of the rate year (April 2021) which will result in non-fuel O&M and AEPSC billings. Therefore, SWEPCO's proposal is consistent with 16 TAC § 25.231(c)(2)(F)(iii)(II) regarding post test plant adjustment decreases to rate base. 16 TAC § 25.231(c)(2)(F)(iii)(II) states that plant that has been removed from service, mothballed, sold, or removed from the electric utility's books prior to the rate year should be removed from rate base. Dolet Hills is not expected to be removed from service prior to the rate year. As such it would not be appropriate to remove Dolet Hills non-fuel O&M expenses or AEPSC billings in this case.

Prepared By: Randall W. Hamlett

Title: Dir Regulatory Acctg Svcs

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES
ADVOCATING REASONABLE DEREGULATION'S SEVENTH SET OF REQUESTS
FOR INFORMATION**

Question No. CARD 7-20:

Please identify any differences between SWEPCO's proposed ratemaking treatment of Dolet Hills retirement costs (including any un-recovered investment) and the Commission-approved ratemaking treatment of retirement costs associated with Welsh 2.

Response No. CARD 7-20:

Prior to retirement of Welsh Unit 2 in Docket No. 40443, the Commission included Welsh Unit 2 in rate base and included all applicable expenses as the Unit would continue to operate when rates were effective and would be providing service to SWEPCO's Texas retail customers. The Commission did not alter the depreciable life in Docket No. 40443. In the first case after Welsh Unit 2 was retired (Docket No. 46449), the Commission allowed return of but no return on the Welsh Unit 2 net book value.

SWEPCO's proposal for Dolet Hills is consistent with Docket No. 40443 which includes the still operating unit in rate base and includes all applicable expenses so the unit can continue to operate at the beginning of the rate year. However, the unprotected excess deferred income taxes associated with the Tax Cuts and Jobs Act (TCJA), that was not available when the Welsh decisions were made, provides an opportunity not available in Docket No. 40443 or 46449. Capturing this unique opportunity, SWEPCO's proposal to use TCJA items to reduce the net book value of Dolet Hills is described in the Direct Testimony of Thomas P. Brice (pages 5 – 8) and Michael A. Barid (page 23, and pages 48 and 49) and David Hodgson (page 5, and pages 22 and 24).

Prepared By: Jason M. Yoder

Title: Dir Regulatory Acctg Svcs

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES
ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS
FOR INFORMATION**

Question No. CARD 4-2:

Post Test Year Adjustments: Please identify all post test-year adjustments (rate base, operations and capital structure) incorporated in the Company's application that are included because the Company believes that they are "reasonably certain to occur" as opposed to having occurred.

Response No. CARD 4-2:

16 TAC 25.231(c)(2)(F) addresses post-test year adjustments and applies only to rate base adjustments. As stated on page 6 of Mr. Baird's direct testimony, no such post-test year adjustments were made. 16 TAC 25.231(b) addresses adjustments to operating revenues/expenses and the Company has incorporated numerous operating revenue/expense adjustments for known and measurable changes under this TAC section. Some of these adjustments may utilize information taken from a point in time or period subsequent to the test year in order to make a known and measurable change within the test year. Attached to the direct testimony of Michael A. Baird is Exhibit MAB-2 which lists each adjustment to operating revenues/expenses and rate base, including a short description and the sponsoring witness/witnesses. In addition, Mr. Baird provides additional details in his direct testimony on each adjustment, see pages 19 through 37 (operating revenues/expenses) and pages 43 – 49 (rate base). Specific adjustments that the Company believes are reasonably certain to occur after the March 31, 2020 test period are:

A-3.5 Annualize factoring (requested return on common equity),

A-3.16 Storm Expense (catastrophe reserve request),

A-3.20 Vegetation Management Increase (incremental request),

B-1.5.7 Fuel Inventories (target levels), and

B-1.5.17 Dolet Hills Power Station (post test year protected excess ADFIT amortization being used to reduce the Dolet Hills net book value).

Prepared By: Randall W. Hamlett

Title: Dir Regulatory Acctg Svcs

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

STAFF RECOVERY OF DOLET HILLS - to be retired no later than 12/31/2021**STAFF RECOMMENDED ANNUAL RECOVERY (Per year for 4 years):**

1.	Return & FIT	1,865,403
2.	Depreciation Expense	1,625,489
3.	Amortization	3,944,326
4.	O&M	3,174,560
5.	Oxbow Return	254,737
6.	Property Taxes	708,925
7.	Revenue Related Taxes	-
		11,573,440

Calculations

	Gross Plant in Service at 3/31/2020	339,874,755	OPUC 9-1
	Accumulated Depreciation at 3/31/2020	(227,615,789)	OPUC 9-2
	Dolet Hills GAAP Depreciation	9,125,930	Sch A-4
	Net Book Value at 3/31/2020	121,384,896	
	Rate of return	6.62%	Staff recommended rate of return
	Annual Return	8,035,680	
	FIT	1,469,558	Using Staff recommended ROE & cap structure
	Monthly Return & FIT (1/12th)	792,103	
	Number of months 3/18/2021 through 12/31/2021 retiremer	9.42	
	Remaining Return and FIT to be recovered (9.42 months)	7,461,612	
	Period to recover (per SWEPSCO 4 years between rate cases)	4	
1	Annual recovery of remaining Dolet Hills Return & FIT	1,865,403	
	Gross Plant in Service at 3/31/2020	339,874,755	From Above
	Annual Depreciation Rate (from 46449)	2.44%	Dkt 46449
	Annual Depreciation Expense	8,282,748	
	Monthly Expense (1/12th)	690,229	
	Number of months 3/18/2021 through 12/31/2021 retiremer	9.42	
	Remaining Depreciation Exp. to be recovered (9.42 months)	6,501,957	
	Period to recover (per SWEPSCO 4 years between rate cases)	4	
2	Annual recovery of remaining Dolet Hills Depreciation Exp.	1,625,489	
	Net Book Value at 3/31/2020	121,384,896	
	Depreciation Expense 3/18/2021 through 12/31/2021	6,501,957	
	Net Book Value at 12/31/2021	114,882,939	
	CWIP per W/P Schedule B-1.5 17	4,053,667	Would not have been included in rate base or depr.
	Remaining Balance to be recovered	118,936,606	Regulatory Asset with no return (46449 method)
	Remaining Life Dkt 46449 at 12/31/2015 (Exh DAD -2 pge 18)	30.5	Recovery period from Dkt 46449
	Time period 12/31/2015 through 12/31/2021	6	
	Amortization period	24.5	Remaining recovery period from Dkt 46449
	Annual Amortization	4,854,555	
	Amortization period rates are in effect (1/1/22-3/31/25)	3.25	
	Total amortization for period rates are in effect	15,777,305	
3	Amortization included in rates	3,944,326	1/4 to be included in rates
	Test Year O&M Expense (Schedule H-1.2c(Dolet Hills))	12,466,942	
	Dolet Hills Fuel Acct 501 not incl Sch H-1 2c (Staff 9-8)	1,847,918	
	Equity Return DHLC Acct 501 (Staff 5-61)	1,418,666	
	Insurance Expense (Staff 5-57)	442,574	
	Total O&M Expenses	16,176,100	
	Monthly Expense (1/12th)	1,348,008	
	Number of months 3/18/2021 through 12/31/2021 retiremer	9.42	
	Remaining O&M Expense to be recovered (9.42 months)	12,698,239	
	Period to recover (per SWEPSCO 4 years between rate cases)	4	
4	Annual recovery of remaining Dolet Hills O&M	3,174,560	Recover remaining O&M over time until next rate case
	Oxbow Mine Investment Included in Rate Base	16,576,181	
	Rate of return	6.62%	Staff recommended rate of return
	Annual Return	1,097,343	
	FIT	200,681	Using Staff recommended ROE & cap structure
	Monthly Return & FIT (1/12th)	108,169	
	Number of months 3/18/2021 through 12/31/2021 retiremer	9.42	
	Remaining Return and FIT to be recovered (9.42 months)	1,018,949	
	Period to recover (per SWEPSCO 4 years between rate cases)	4	
5	Annual recovery Oxbow Mine return	254,737	Recover over time until next rate case
	Test Year Dolet Hills Property Taxes (Staff 5-9)	2,835,700	
	Period to recover (per SWEPSCO 4 years between rate cases)	4	
6	Annual recovery of remaining Dolet Hills Property Taxes	708,925	Recover full year over remaining time until next rate case because assessment based on 1/1/2021 use of property
7	Revenue related taxes to be calculated by model	-	To be determined by revenue requirement model

STAFF DOLET HILLS ADJUSTMENTS

FERC	Description	Sch H-1.2c Total	Staff 9-8 Fuel	Staff 5-61 DHLC Equity	Staff 5-67 Insurance	SWEPKO TOTAL	Staff Adjustment O&M
<u>Steam Power Generation - Operation</u>							
5000	Oper Supervision & Engineering	1,000,513				1,000,513	(1,000,513)
5010	Fuel		1,847,918	1,418,666		3,266,584	(3,266,584)
5020	Steam Expenses	1,357,844				1,357,844	(1,357,844)
5050	Electric Expenses	483,234				483,234	(483,234)
5060	Misc Steam Power Expenses	3,807,766				3,807,766	(3,807,766)
5070	Rents	634				634	(634)
5090	Allowance Consumption SO2	-				-	-
<u>Steam Power Generation - Maintenance</u>							
5100	Maint Supv & Engineering	394,249				394,249	(394,249)
5110	Maintenance of Structures	200,177				200,177	(200,177)
5120	Maintenance of Boiler Plant	3,947,061				3,947,061	(3,947,061)
5130	Maintenance of Electric Plant	174,758				174,758	(174,758)
5140	Maintenance of Misc Steam Pft	1,100,713				1,100,713	(1,100,713)
<u>Other Power Generation - Operation</u>							
5460	Oper Supervision & Engineering	-					
5480	Generation Expenses	(3)				(3)	3
5490	Misc Other Pwr Generation Exp	3				3	(3)
<u>Other Power Generation - Maintenance</u>							
5510	Maint Supv & Engineering	(1)				(1)	1
5520	Maintenance of Structures	-				-	-
5530	Maintenance of Generating Pft	(7)				(7)	7
5540	Maint of Misc Oth Pwr Generation	-				-	-
<u>Other Power Supply Expenses - Operation</u>							
5560	Sys Control & Load Dispatching	-					
5570	Other Expenses	-					
9240	Property Insurance				442,574	442,574	(442,574)
Total	O&M	12,466,942	1,847,918	1,418,666	442,574	16,176,100	(16,176,100)

	OPUC 9-1	SWEPKO Adjustment	NBV After SWEPKO Adj	Staff Adj to Remove Dolet Hills from RB
<u>Test year end Dolet Hills gross plant in service</u>				
310 Land and Land Rights	1,510,615		1,510,615	(1,510,615)
311 Structures and Improvements	57,023,545		57,023,545	(57,023,545)
312 Boiler Plant Equipment	211,135,254		211,135,254	(211,135,254)
314 Turbogenerator Units	39,735,805		39,735,805	(39,735,805)
315 Accessory Electric Equipment	12,572,796		12,572,796	(12,572,796)
316 Misc Power Plant Equipment	16,666,082		16,666,082	(16,666,082)
317 ARO Steam Production Plant-Ash Pond	1,257,350		1,257,350	(1,257,350)
317 ARO Steam Prod Plant & Lignite Mine	(26,693)		(26,693)	26,693
Gross Plant Balances Including Account 310	339,874,755		339,874,755	(339,874,755)
<u>Test year end Dolet Hills accumulated depreciation</u>				
31000 - Land - Coal Fired	-			
31100 - Structures, Improvemnt-Coal	(50,009,996)	(4,294,997)	(54,304,993)	54,304,993
31200 - Boiler Plant Equip-Coal	(122,971,477)	(67,506,409)	(190,477,886)	190,477,886
31400 - Turbogenerator Units-Coal	(31,520,737)	(5,650,969)	(37,171,706)	37,171,706
31500 - Accessory Elect Equip-Coal	(9,951,770)	(1,797,338)	(11,749,108)	11,749,108
31600 - Misc Pwr Plant Equip-Coal	(12,751,800)	(2,719,679)	(15,471,479)	15,471,479
31700 - ARO Steam Production Plant	(410,008)	(354,402)	(764,410)	764,410
31700 - ARO Steam Production Plant		12,381	12,381	(12,381)
10800 Dolet Hills GAAP Depreciation	9,125,930		9,125,930	(9,125,930)
Accumulated Depreciation	(218,489,858)	(82,311,413)	(300,801,271)	300,801,271
Net Book Value	121,384,897	(82,311,413)	39,073,484	(39,073,484)

Remove Oxbow Mine from Rate Base	16,576,181	(16,576,181)
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Dolet Hills Depreciation Expense Requested	W/P Sch B-1.5.17	Staff Depr. Adj.
31000 - Land - Coal Fired		
31100 - Structures, Improvemnt-Coal	528,106	(528,106)
31200 - Boiler Plant Equip-Coal	8,300,477	(8,300,477)
31400 - Turbogenerator Units-Coal	694,834	(694,834)
31500 - Accessory Elect Equip-Coal	220,998	(220,998)
31600 - Misc Pwr Plant Equip-Coal	334,407	(334,407)
31700 - ARO Steam Production Plant	43,577	(43,577)
31700 - ARO Steam Production Plant	(1,522)	1,522
	10,120,877	(10,120,877)

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE
TO TEXAS INDUSTRIAL ENERGY CONSUMERS'
FIRST REQUEST FOR INFORMATION**

Question No. TIEC 1-16:

Referring to page 6:

- a. Please provide all documents surrounding the settlement(s) in which SWEPCO agreed to retire the Dolet Hills Power Station.
- b. Please provide a schedule of the net book value of SWEPCO's share of the environmental investments at the Dolet Hills Power Station that SWEPCO sought and received approval from the PUCT in Docket No. 46449.
- c. Please confirm that in Docket No. 46449, Dolet Hills was projected to retire in the year 2046. If not confirm, please state why not.

Response No. TIEC 1-16:

- a. The 2019 SWEPCO Arkansas rate case settlement is publicly available at: http://www.apscservices.info/pdf/19/19-008-U_301_1.pdf
- b. Please see attachment TIEC 1-16b Attachment 1.xlsx
- c. Confirmed.

Prepared By: Michael A. Baird
Prepared By: Christopher N. Martel

Title: Mng Dir Acctng Policy & Rsrch
Title: Regulatory Consultant Sr

Sponsored By: Thomas P. Brice

Title: VP Regulatory & Finance

Company	Major Location	Utility Account	Cc Environmental	Month	Book Cost	Allocated Reserve	Net Book Value
Southwestern Electric Pwr - Gen	Dolet Hills Generating Plant	31200 - Boiler Plant Equip-Coal	Air Pollution	03/2020	\$57,010,309.85	\$10,948,680.73	\$46,061,629.12
Southwestern Electric Pwr - Gen	Dolet Hills Generating Plant	31600 - Misc Pwr Plant Equip-Coal	Air Pollution	03/2020	\$2,117,781.26	\$1,386,414.07	\$731,367.19
Southwestern Electric Pwr - Gen	Dolet Hills Generating Plant	31100 - Structures, Improvemnt-Coal	Solid Waste Disposal	03/2020	\$329,674.02	\$75,481.62	\$254,192.40
Southwestern Electric Pwr - Gen	Dolet Hills Generating Plant	31200 - Boiler Plant Equip-Coal	Solid Waste Disposal	03/2020	\$2,480.68	\$458.35	\$2,022.33
Southwestern Electric Pwr - Gen	Dolet Hills Generating Plant	31600 - Misc Pwr Plant Equip-Coal	Solid Waste Disposal	03/2020	\$249,260.91	\$168,133.88	\$81,127.03
Southwestern Electric Pwr - Gen	Dolet Hills Generating Plant	31200 - Boiler Plant Equip-Coal	Water Pollution	03/2020	\$52,408.30	\$30,882.29	\$21,526.01
					\$59,761,915.02	\$12,610,050.94	\$47,151,864.08

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES
ADVOCATING REASONABLE DEREGULATION'S SEVENTH SET OF REQUESTS
FOR INFORMATION**

Question No. CARD 7-17:

Please describe and provide the amount of any proposed adjustments to test year costs included in this case to reflect the planned early retirement or reduced future operations of the Pirkey plant.

Response No. CARD 7-17:

There were no proposed adjustments to test year costs included in this case to reflect the planned early retirement or reduced future operations of the Pirkey plant in 2023.

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-2:

Refer to the response to OPUC 5-7, Attachment 1. Please similarly identify all costs related to the H.W. Pirkey Power Plant that are included in SWEPCO's requested cost of service.

Response No. STAFF 9-2:

Please see Staff 9-2 Attachment 1 Pirkey COS (provided electronically on the PUC Interchange) for the requested cost of service for the Pirkey Power Plant.

Prepared By: Jason M. Yoder

Title: Dir Regulatory Acctg Svcs

Sponsored By: Jennifer L. Jackson

Title: Reg Pricing & Analysis Mgr

Sponsored By: John O. Aaron

Title: Dir Reg Pricing & Analysis

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SOAH Docket No. 473-21-0538

PUC Docket No. 51415

Staff's 9th RFI, Q. # Staff 9-2

Attachment 1

Page 1 of 1

Southwestern Electric Power Company
Pirkey Proposal Total Company Revenue Requirement

Description	Amount	Source
Remaining Net Book Value	189,235,083	Property Plant
WACC Grossed up for Taxes	<u>8.5822%</u>	Schedule K Calculation
Return Plus Income Taxes	16,240,597	Calculation
Property Taxes	3,390,769	Pirkey Taxes
Gross Margin Tax		
Gross Operating Revenue	57,206,148	Total Revenue Requirement
Taxable Revenue Percent	<u>70.0%</u>	Statute
Taxable Revenue	40,044,303	Calculation
Taxable Margin Percent	<u>0.750%</u>	Statute
Gross Margin Tax	300,332	Calculation
Revenue Tax Factors	<u>1.2992%</u>	WP A-3.13
Revenue Taxes	743,210	Calculation
Depr/Amort Expense	14,219,990	D-4
O&M Expense	22,311,250	Sch H-1.2
Total Revenue Requirement	<u><u>57,206,148</u></u>	Calculation

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-19:

Were any of SWEPCO's taxable losses reported on Schedule G-7.13(f) used to reduce the amount of consolidated taxable income or consolidated taxes paid by the AEP consolidated group? If so, please provide the amount of SWEPCO taxable losses utilized by year and the balance remaining at the end of each year.

Response No. STAFF 9-19:

SWEPCO is a member of AEP Inc.'s consolidated tax return group. The taxable income of the consolidated return includes the income and losses of all members of the consolidated group. The income and losses of SWEPCO reported on Schedule G-7.13(f) increased or decreased the consolidated taxable income of the group in any given tax year. Staff 9-19 Attachment 1 provides a schedule showing the tax return year in which the AEP Inc. consolidated group utilized the losses of SWEPCO to offset the income of other members of the group and any unused SWEPCO loss balance remaining unutilized at the end of each year.

Prepared By: Jessica M. Criss

Title: Tax Analyst Prin

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

SWEPSCO		Tax Loss Utilized by AEP Consolidated											
Tax Year	Taxable Income (Loss)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q1 2020
2009	46,739,333												
2010	(58,670,714)		58,670,714										-
2011	55,366,940												-
2012	(1,207,127,066)				729,914,069		477,212,997						-
2013	61,224,910												
2014	56,112,581												
2015	114,448,324												
2016	(358,866,044)								332,672,840		26,193,204		-
2017	(98,182,199)							34,878,110			55,137,567	8,166,523	-
	(1,388,953,935)												
2018	57,203,764												
2019	80,238,343												
Q1 2020	10,231,165												
	147,673,272												
Tax loss balance unused by AEP		-	-	-	477,212,997	477,212,997	-	422,170,133	89,497,293	89,497,293	8,166,523	8,166,523	0

Source: SWEPCO Response to Staff 9-19

		Tax Loss Utilized by AEP Consolidated											
Tax Year	SWEPCO Taxable Income (Loss)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q1 2020
2009	46,739,333												
2010	(58,670,714)		58,670,714										
2011	55,366,940												
2012	(1,207,127,066)				729,914,069		477,212,997						
2013	61,224,910												
2014	56,112,581												
2015	114,448,324												
2016	(358,866,044)								332,672,840		26,193,204		
2017	(98,182,199)							34,878,110			55,137,567		
	(1,388,953,935)												8,166,523
2018	57,203,764												
2019	80,238,343												
Q1 2020	10,231,165												
	147,673,272												
Tax loss balance unused by AEP		-	-	-	477,212,997	477,212,997	-	422,170,133	89,497,293	89,497,293	8,166,523	8,166,523	0

Net Payments Received by SWEPCO from AEP, Inc. for use of it tax losses

Income/(Loss) Net Taxable Times Tax Rate		
2009 - 2017	(1,388,953,935)	
Tax Rate	35%	
	(486,133,877)	Net Payments RECEIVED by SWEPCO from AEP, Inc. for use of its tax losses
2018-Q1 2020	147,673,272	
Tax Rate	21%	Payments MADE by SWEPCO to AEP, Inc. for taxable income
	31,011,387	
Net	(455,122,490)	Net payments RECEIVED by SWEPCO from AEP, Inc. per tax sharing agreement

SWEPCO Tax Losses Used by Consolidated Group and Payments Received by SWEPCO Through & Post TYE Dkt 46449

Through TYE Dkt 46449 (6/30/16)		Post TYE Dkt 46449
2009	46,739,333	2016 (358,866,044)
2010	(58,670,714)	TYE 6/30/16 50%
2011	55,366,940	(179,433,022)
2012	(1,207,127,066)	2017 (98,182,199)
2013	61,224,910	(277,615,221)
2014	56,112,581	35%
2015	114,448,324	(97,165,327)
2016	(179,433,022) (50% 6/30/16 TYE)	
		2018 57,203,764
		2019 80,238,343
		Q1 2020 10,231,165
Net thru TYE	(1,111,338,714)	147,673,272
Tax Rate	35%	21%
	(388,968,550)	31,011,387
Total Net Thru TYE Dkt 46449	(388,968,550)	+ Total Net After TYE Dkt 46449 (66,153,940)
		= (455,122,490)
		Total

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-20:

Refer to the answer to question Staff 9-19.

- a) If any of SWEPCO's taxable losses were used to reduce the amount of consolidated taxable income or consolidated taxes paid by the AEP consolidated group, has SWEPCO received any payments or other compensation from its parent or affiliates for the use of such losses?
- b) If SWEPCO has received payments or compensation for the use of such losses, please provide by year the amounts received by affiliate and provide detailed calculations with explanations of how such amounts were determined.
- c) Please provide the journal entries recorded by SWEPCO related to each payment received.
- d) If SWEPCO received such payments during the test year, where are they reflected in SWEPCO's requested revenue requirement and where are they reflected on Schedule A-4 (3/31/20 trial balance)?
- e) If SWEPCO received such payments during the test year and the payments are not reflected in its requested revenue requirement, why not?
- f) If any of SWEPCO's taxable losses reported on Schedule G-7.13(f) were used to reduce the amount of consolidated taxable income or consolidated taxes paid by the AEP consolidated group, and SWEPCO did not receive compensation for the use of such taxable net operating losses, why did it not receive compensation?

Response No. STAFF 9-20:

- a) Yes, SWEPCO participates in the AEP consolidated federal return and its Tax Allocation Agreement. The agreement states that the holding company will provide a payment to any tax loss member equal to "the amount by which the consolidated tax is reduced by including the member's net corporate tax loss in the consolidated tax return." AEP affiliates receiving any payment from the holding company under the tax allocation agreement as the result of tax losses are therefore dependent upon other companies within the consolidated group generating taxable income. Any such payments received by a loss affiliate represent the tax obligation of income affiliates that have been deferred as the result of filing a consolidated return and are not the direct result of the regulated operations of the loss affiliate. Under the Tax Allocation Agreement SWEPCO has received payments from AEP Inc. as a result of its losses as reported on Staff 9-19 Attachment 1.

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- b) See Staff 9-19 Attachment 1 for a schedule of the utilization of SWEPCO's NOL by the AEP consolidated group by tax return year. The tax sharing agreement (Staff 9-17 Attachment 1) provides the method in which any cash allocations are calculated.
- c) An example of journal entries to record the consolidated tax sharing agreement are as follows:

Subsidiary A

Debit – Income Taxes Payable (Account 236)
Credit – Cash

AEP Inc.

Debit – Cash (From Subsidiary A)
Credit – Income Taxes Payable (Account 236)

Debit – Income Taxes Payable (Account 236)
Credit – Cash (To SWEPCO)

SWEPCO

Debit – Cash
Credit – NOLC Deferred Tax Asset (Account 190)

- d) SWEPCO participated in the consolidated tax allocation agreement during the test year. As a result of other companies within the group generating taxable income, SWEPCO received payment from the holding company under the agreement. As indicated in the response to part c) of Staff 9-20 the payment received by SWEPCO is recorded as both a credit to the deferred tax asset account and a debit to cash. Because the receipt of cash through the tax sharing agreement reduces the deferred tax asset balance for the NOL carryforward, the trial balance reflects the full DTL associated with accelerated depreciation.
- e) The requested revenue requirement is based on the recognition of a separate return net operating loss carryforward deferred tax asset as a component of the ADFIT included in rate base. The federal income taxes requested by the Company are based on revenues and expenses included in the cost of service calculation. The use of a separate return approach to the income taxes requested prevents the cross-subsidization of costs or benefits among affiliate companies.

As described on pages 12-13 of the direct testimony of Company witness David Hodgson, the proforma adjustment to reflect SWEPCO's NOL on a separate return basis is consistent with the normalization rules of the Code. The specific normalization provisions of the Code that guide the Company's proforma adjustment in this case include –

- Treasury Regulation Section 1.167(l)-1(h) and accompanying IRS rulings directly addressing instances in which accelerated depreciation produces NOLs, and

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- Internal Revenue Code Section 168(i)(9)(B) which requires consistency among the assumptions used for determining the revenue requirement elements of book depreciation expense, income tax expense (the book-to-tax differences used to compute current and deferred income tax expense), and the rate base components for accumulated deferred income taxes and net book value.

As discussed by witness Hodgson on page 12 of his direct testimony, the IRS has issued a number of private letter rulings which determine that NOL carryforward ADFIT must be included in rate base when the NOL is associated with accelerated depreciation. As stated on page 28 of the direct testimony of Company witness Hodgson, the Company performed a with-and-without test which determined that the NOL carryforward is a result of accelerated depreciation. Because SWEPCO's NOL carryforward is a result of accelerated depreciation, including the proforma adjustment is consistent with the normalization requirements of the Code.

- f) SWEPCO has received payments from its parent company, AEP, Inc.

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**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-21:

Refer to the Commission's Order on Rehearing in Docket No. 46449. Please provide the amount of the NOL accumulated deferred income tax asset actually recorded on SWEPCO's books at the end of the test year in that proceeding and the amount of the SWEPCO stand-alone NOL accumulated deferred income tax asset at the same date. Please also provide the amount of the NOL accumulated deferred income tax asset that was reflected in the rate base used to set rates approved in that order. If the amount was any other amount than the actual test-year and book amount, please identify the evidence (testimony, etc.) presented in that proceeding for the use of a different amount.

Response No. STAFF 9-21:

SWEPCO's books at the end of the test year in Docket No. 46449 reflected a NOL accumulated deferred income tax asset of zero as a result of the Company's participation in the AEP Inc. consolidated tax sharing agreement. No adjustments were made in that proceeding to reflect the level of NOL deferred tax asset for the Company on separate return basis.

During the preparation for this filing, the Company identified risks associated with using the GAAP balance of ADFIT for ratemaking purposes. These risks are twofold. First, in instances, such as this, in which a member of a consolidated group is in an NOL position determined on a separate return basis and the NOL is the result of accelerated tax depreciation, it is inconsistent with the separate return methodology used for purposes of computing tax expense to disregard such separate return NOL in the rate base component of the company's revenue requirement. Second, there is an operational economic risk with the rate regulation associated with including a consolidated return adjustment into the rates of utility companies.

Moreover, including federal NOL carryforward ADFIT in rate base when that NOLC is generated as a result of accelerated depreciation is consistent with the normalization rules of the Code. Since SWEPCO has a separate return federal NOL carryforward resulting from accelerated depreciation at the end of the test year in this case, it is consistent with the normalization requirement for rate base to reflect the deferred tax liabilities netted with the NOL deferred tax asset.

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**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S THIRD REQUEST FOR INFORMATION**

Question No. OPUC 3-7:

Please refer to the Direct Testimony of Mr. David A. Hodgson, pages 24-25. Please confirm or deny that SWEPCO or SWEPCO's parent company requested a private letter ruling from the Internal Revenue Service concerning the proposed treatment of the Excess Deferred Federal Income Tax ("EDFIT") associated with the Net Operating Loss. If confirm, please provide a copy of the request and any response received from the IRS. If deny, please provide an example of any other jurisdiction where this approach has been used and adopted by the regulating entity.

Response No. OPUC 3-7:

Deny. Neither SWEPCO nor SWEPCO's parent company has requested a private letter ruling from the IRS concerning the proposed treatment of excess deferred federal income taxes associated with the net operating loss carryforward (NOLC). The Company relied on previous PLR's (see Exhibits to Witness Hodgson's testimony) and revenue procedures issued by the IRS as the basis of the proposed treatment. The IRS's most recent relevant guidance is Revenue Procedure 2020-39 which was issued August 14, 2020. This revenue procedure provides guidance under §168 of the Internal Revenue Code to clarify the normalization requirements following the Tax Cuts and Jobs Act.

Revenue Procedure 2020-39 specifically provides that it is intended to be consistent with overall pre-existing deferred tax normalization rules. The series of PLR's provided as exhibits to the testimony of Mr. Hodgson all specify a "with-and-without" or "last dollar deducted" approach as the only method which ensures compliance with normalization requirements. The Company performed a with-and-without test and determined that the balance of the NOLC was attributable to accelerated tax depreciation and therefore subject to the normalization requirements.

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**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-17:

Please provide a copy of the AEP and subsidiary companies federal income tax sharing agreement.

Response No. STAFF 9-17:

Please see 9-17 Attachment 1 for a copy of the tax agreement for allocating consolidated income taxes for AEP Inc. and its consolidated affiliates.

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Any related loss of general business credits, shall be allocated to the member companies that utilized the credits in the prior year in the same proportion that the credit lost is to the total credit utilized in the prior year. A consolidated net operating tax loss carryforward shall be allocated proportionately to member companies that generated the original tax losses that gave rise to the consolidated net operating tax loss carryforward.

- (7) A member with a net positive tax allocation shall pay the holding company the net amount allocated, while a tax loss member with a net negative tax allocation shall receive current payment from the holding company in the amount of its negative allocation. The payment made to a member with a tax loss should equal the amount by which the consolidated tax is reduced by including the member's net corporate tax loss in the consolidated tax return. The holding company shall pay to the Internal Revenue Service the consolidated group's net current federal income tax liability from the net of the receipts and payments.
- (8) No member of the consolidated group shall be allocated a federal income tax which is greater than the federal income tax computed as if such member had filed a separate return.
- (9) In the event the consolidated tax liability is subsequently revised by Internal Revenue Service audit adjustments, amended returns, claims for refund, or otherwise, such changes shall be allocated in the same manner as though the adjustments on which they are based had formed part of the original consolidated return using the tax allocation agreement which was in effect at that time.

Any current state tax liability and/or benefit associated with a state tax return involving more than one member of the consolidated group, shall be allocated to such members following the principles set forth above for current federal income taxes. Due to certain states utilizing a unitary approach, the consolidated return liability may exceed the sum of the liabilities computed for each company on a separate return basis. If this occurs, the excess of the consolidated liability over the sum of the separate return liabilities shall be allocated proportionally based on each member's contribution to the consolidated apportionment percentage. If additional tax is attributable to a significant transaction or event, such additional tax shall be allocated directly to the members who are party to said transaction or event.

This agreement is subject to revision as a result of changes in federal and state tax law and relevant facts and circumstances.

The above procedures for apportioning the consolidated annual net current federal and state tax liabilities and expenses of American Electric Power Company, Inc. and its

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-18:

Refer to Schedule G-7.3b of the rate filing package filed by SWEPCO in Docket No. 46449 at lines 15-20 which states, "The consolidated regular tax is allocated among the members of the group based on the ratio of each member's separate return corporate taxable income to the total separate return corporate taxable income. With the exception of the parent company, each member of the group having a separate return corporate taxable loss will be included in the allocation of the regular consolidated tax and will receive current payment for the reduction in the regular consolidated tax liability resulting from the inclusion of the losses in the consolidated return." Has this provision of the tax sharing agreement changed since the test year in Docket No. 46449? If it was changed, how and why was it changed?

Response No. STAFF 9-18:

The tax allocation agreement has not been modified since the test year in Docket No. 46449. The agreement (see 9-17 Attachment 1) states that any member of the consolidated group with a positive tax allocation will pay the holding company its net tax due. It also states that the holding company will make a payment to a member with a negative tax allocation to the extent that the consolidated group's tax is reduced by that member's negative tax allocation. The tax allocation agreement dictates the movement of cash between members of the consolidated group.

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**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-15:

Please provide each individual adjustment to SWEPCO's request by schedule number, line number, and FERC account number that would be necessary to reflect the actual accumulated deferred federal income tax asset related to the NOL carryforward recorded on SWEPCO's books at test year end (per the 3/20/20 trial balance at Schedule A-4).

Response No. STAFF 9-15:

There is a zero balance for ADIT associated with NOL carryforwards on SWEPCO's books (financial statements) as the result of SWEPCO's participation in the AEP consolidated federal tax return and the required accounting under GAAP for allocation of the consolidated tax liability under the group's Tax Allocation Agreement. As the trial balance reflects no ADIT balance for the NOLC, to adjust the filing to reflect the balance as zero as opposed to the separate return NOL ADFIT the pro forma adjustments as identified in the response to Staff 9-14 would need to be removed from the schedules.

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Southwestern Electric Power Company

Description	Amount
Texas Unprotected Excess ADFIT	17,337,163
Gross Up Factor (1 / .79)	<u>1.326634</u>
Texas Unprotected Excess ADFIT Reg. Liab.	23,000,070
Protected Excess ADFIT Refund Provision (3/31/2020)	5,245,870
Monthly 2020 Protected Refund Provision Accrual	<u>180,225</u>
April 2020 - March 2021	2,162,705
Total Texas Regulatory Liability Available	<u>30,408,645</u>
Texas Retail Allocation Factor	36.94%
Total Company Amount	<u><u>82,311,412</u></u>

SOUTHWESTERN ELECTRIC POWER COMPANY
Dolet ADIT

W/P Schedule B-1.5 17.2
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	Description	Regulatory Ratemaking Journal Entries			2020 Base Case Impact
		Account	Debit	Credit	
1	2017 - Pre TCJA				Present as Pro-Forma
	Deferred Tax Asset - NOL	1901001	486,133,877		Tax Dept to include DTA NOL in Rate Base (net of JE #3 below)
	Debt/Equity			486,133,877	
	Entry to reflect total company NOL as of 12.31.17				
2	2017 - Post TCJA				Present as part of GAAP Books
	Regulatory Asset - Protected	2544001	194,453,551		Tax Dept to Present JE in Filing, however, no impact to net rate base as Reg Assets offset deferred tax
	Deferred Tax Asset - NOL	1904001		193,681,438	
***	Regulatory Asset - Unprotected	2544001		772,113	\$270,239 relates to SWEPCO TX to be incorporated unprotected excess available to offset Dolet Hills basis
	Regulatory Asset	2544001	63,515,141		-\$270k is estimated, multiply \$772k by SWEPCO TX rate %
	DTL - Regulatory Asset	1904001		63,515,141	
	Entry to reflect remeasurement of NOL and corresponding deferred deferred taxes				
3	2018 thru Q1 2020 Activity				Present as Pro-Forma
	Deferred Tax Asset - NOL	1901001		31,011,387	Tax Dept to include DTA NOL in Rate Base (net of JE #1 above)
	Debt/Equity		31,011,387		
	Entry to recognize NOL utilized 2018 thru end of test period activity				
4(a)	Revision to Test Year Amortization				Present as part of GAAP Books
	Regulatory Asset - Protected	2544001		4,664,032	Tax Dept to Present JE in Filing, however, no impact to net rate base as Reg Assets offset deferred tax
	Deferred Income Tax Expense	4101001	4,664,032		\$4.6M reduces Income Tax Benefit shown within Cost of Service
		2821001		4,664,032	Amount will be included as reduction to rate base
		2824001	4,664,032		Tax Dept to Present JE in Filing, however, no impact to net rate base as Reg Assets offset deferred tax
		2544001		1,523,431	
		1904001	1,523,431		
	Entry to reflect reduced Amortization of Protected Excess for 12 month test period				
4(b)	Revision to Provision for Refund				Present as part of GAAP Books
		2290019	4,664,032		13,323,230 Protected Refund Change Through Test Year End
		4490019		4,664,032	4,833,196 Texas Protected Refund Change Through Test Year End
		2290019	1,523,431		
		4490019		1,523,431	\$15,622 Monthly Protected Refund Change
		4101001	1,299,367		187,049 Texas Monthly Protected Refund Change
		2831001		1,299,367	
	Entry to reflect reduced Amortization of Protected Excess for 12 month test period				
5(a)	Revision to Pre-Test Year Amortization				Present as part of GAAP Books
		2544001		5,378,851	
		4101001	5,378,851		Outside of test period, not included in cost of service
		2821001		5,378,851	
		2824001	5,378,851		
		2544001		1,756,916	
		1904001	1,756,916		
	Entry to reflect reduced Amortization of Protected Excess for activity in 2018 thru Q1 2019				
5(b)	Revision to Pre-Test Year Provision for Refund				Present as part of GAAP Books
		2290019	5,378,851		
		4490019		5,378,851	
		2290019	1,756,916		
		4490019		1,756,916	
		4101001	1,498,511		
		2831001		1,498,511	
	Entry to reflect reduced Amortization of Protected Excess for activity in 2018 thru Q1 2019				
Total Company Rate Base Increase			455,123,490		
Cost of Service Reduction (for test year)			4,664,032		
Provision for Refund (since TCJA)			10,042,883	5,378,851	
Responsible Team		Incorporation Into Base Case			
Tax Filing		Balance Sheet Rate Base (net \$455M DTA)			
Tax Filing		P&L Cost of Service (tax expense increase of \$4.6M) - protected amortization within test year			
Reg Team		Provision for Refund Expense (decrease by \$10M) - protected amortization within test year			
Reg Team		Balance Sheet reduce non-tax provision for refund of protected excess (\$4.6M)			
Reg Team		Reduce TX Jurisdiction Unprotected available to offset Dolet by \$270k			

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PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-16:

Does SWEPCO's proposed pro forma adjustment to use the stand-alone accumulated deferred federal income tax asset related to the NOL carryforward impact the balance of either protected or unprotected excess ADFIT in any way? If so, please provide a detailed explanation and amounts with supporting calculations.

Response No. STAFF 9-16:

Yes, the proposed pro forma adjustment to include the accumulated deferred federal income tax (ADFIT) asset related to the separate return NOL carryforward does have an impact on the balance of protected excess ADFIT.

As stated on page 28 of the direct testimony of Company witness Hodgson, a with-and-without test was performed which determined that the NOL carryforward is a result of accelerated depreciation. As the NOL carryforward is a result of accelerated depreciation the excess ADFIT calculated on the NOL carryforward ADFIT balance at the time of the Tax Cuts and Jobs Act would be protected by the normalization rules in the Code. The balance of excess ADFIT related to the NOL carryforward would reduce the overall regulatory liability related to excess ADFIT related to accelerated depreciation.

Exhibit DAH-8 details the journal entries related to the pro forma adjustment for the separate return NOL carryforward and the related excess ADFIT. Journal entry #2 as identified in the exhibit indicates a debit (i.e. reduction) to the regulatory liability of \$194,453,551 (before gross-up) on a total company basis for the initial remeasurement of the ADFIT at the implementation of the 21% tax rate as a result of TCJA. Journal entries 4(a) and 5(a) as identified in the exhibit show the amounts of the amortization of the NOL carryforward excess protected ADFIT during the test year and during the period 1/1/18 until the beginning of the test year respectively. On a total company and tax basis (before gross-up) the ARAM amortization for the NOL carryforward excess protected ADFIT during the test year is \$4,664,032 and for the period starting 1/1/18 until the beginning of the test year is \$5,378,851 for a total of \$10,042,883.

See Staff 9-16 Attachment 1 for the calculations of the test year and cumulative adjustments to protected excess amortization for the NOL carryforward. This schedule shows the amortization per the ARAM for each year and for each loss year.

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STAFF 9th, RFI Q. # STAFF 9-16

Attachment 1

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Protected Excess ARAM Amortization
NOL Carryforward ADFIT

	NOL Year	2012	2016	2017	Total Thru End of Test Year	Test Year Amortization Pro Forma to COS
Calendar Year						
2018		(4,255,552)	4	(88,465)	(4,344,012)	-
2019		(4,371,674)	17	(254,746)	(4,626,403)	(3,469,802.02)
Q1 2020		(1,112,644)	(12)	(81,690)	(1,194,345)	(1,194,345)
					<u>(10,164,760)</u>	<u>(4,664,147)</u>

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PUC DOCKET NO. 51415

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES
ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS
FOR INFORMATION**

Question No. CARD 4-32:

EDIT: Please provide and explain any adjustments, corrections, and any other changes to the balance and amortization of EDIT since January 1, 2018.

Response No. CARD 4-32:

See CARD_4-32_Attachment_1.xlsx for a walk-forward of the excess ADFIT balance from the initial balance at 1/1/2018 to the projected balance at 12/31/2020. This walk-forward includes three different adjustments made to the initial balance:

1. The proforma adjustments related to the NOL carryforward as presented in this case and discussed by Company witness Mr. Hodgson. (Lines 3-4, 9, and 13)
2. The Company filed amended returns for years prior to 2017 which resulting in additional ADFIT which was remeasured to 21% and generated additional excess (Line 6)
3. Return-to-Provision true up entries (Lines 7 and 11). There are two types of RTP adjustments. The first relates to the change in the ADFIT to be remeasured at 12/31/2017 due to changes in the 2017 Schedule M's per the return vs. Schedule M's at Provision. The second relates to adjustments to the amortization of excess with the final tax return data.

CARD 4-32 Attachment 1 is available electronically on the PUC Interchange.

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**Southwestern Electric Power
Walk-Forward of Excess ADFIT**

Line #	Description	Protected	Unprotected	Total	Notes
1	Excess Balance 01.01.18	(513,983,014)	(50,479,142)	(564,462,156)	Beginning Balance of Remeasurement (See CARD 4-31 Attachment 1)
2	Amortization per books	10,080,455	5,947,414	16,027,869	Ties to AEP's 2018 10K filing with SEC
3	NOL Adjustment	194,453,551	(772,113)	193,681,438	Proforma Adjustment for Excess on Separate Return NOL Carryforward
4	Amortization - NOL Excess	(4,221,962)	-	(4,221,962)	Proforma Adjustment for Excess Amortization related to NOL Carryforward
5	Adjusted Balance 12.31.18	(313,670,970)	(45,303,841)	(358,974,812)	
6	Amended Return Remeasurement	-	(252,148)	(252,148)	Adjustment due to amended returns
7	2017 RTP + Reclassifications	16,351,156	(16,231,778)	119,378	Adjustments for 2017 Tax Return True-ups and reclassification entries
8	Amortization per books	8,562,396	21,343,281	29,905,677	Ties to AEP's 2019 10K filing with SEC
9	Amortization - NOL Excess	(4,626,403)	-	(4,626,403)	Proforma Adjustment for Excess Amortization related to NOL Carryforward
10	Adjusted Balance 12.31.19	(293,383,821)	(40,444,486)	(333,828,307)	
11	2019 RTP	366,919	-	366,919	Adjustment of 2019 Amortization for Tax Return actuals
12	Amortization per book - Projected	10,168,626	12,960,348	23,128,974	Projected 2020 Amortization per books
13	Amortization - NOL Excess	(4,777,380)	-	(4,777,380)	Amortization of NOL Excess related to Normalized Assets
14	Projected Adjusted Balance 12.31.20	(287,625,656)	(27,484,138)	(315,109,794)	

Based on SWEPCO Response to CARD 4-32

STAFF PROTECTED EXCESS ADFIT AMORTIZATION

Line #	Description	Protected	Notes
1	Excess Balance 01 01 18	(513,983,014)	Beginning Balance of Remeasurement (See CARD 4-31 Attachment 1)
2	Amortization per books	10,080,455	Ties to AEP's 2018 10K filing with SEC
3			
4			
5	Adjusted Balance 12 31 18	<u>(503,902,559)</u>	
6	Amended Return Remeasurement	-	Adjustment due to amended returns
7	2017 RTP + Reclassifications	16,351,156	Adjustments for 2017 Tax Return True-ups and reclassification entries
8	Amortization per books	8,562,396	Ties to AEP's 2019 10K filing with SEC
9			
10	Adjusted Balance 12 31 19	<u>(478,989,007)</u>	
11	2019 RTP	366,919	Adjustment of 2019 Amortization for Tax Return actuals
12	Amortization per book - Projected	2,542,157	Projected 2020 Amortization per books of \$10,168,626 ÷ 12 times 3 months (Jan-Mar 2020)
13			
14	Projected Adjusted Balance 3 31 20	<u>(476,079,932)</u>	Based on CARD 4-32 ATT 1
		(476,703,078)	Staff adjusted balance after reversing SWEPCO's NOLC ADFIT adjustment

Staff calculated Protected Excess ADFIT Refund

15	2018 Amort Per Books	10,080,455	Line 2
16	2019 Amort Per Books	8,562,396	Line 8
17	Jan through March 2020 Projected Amort	<u>2,542,157</u>	1/4 of SWEPCO's projected amount of 10,168,626
18	Projected amortization through TYE	21,185,008	
19	Projected Amort 4/1/2020 through 3/18/2021	<u>9,812,724</u>	SWEPCO estimate 10,168,626 2020 est 2020 amortization times 11 58 months
20	Projected amortization 1/2018 through 3/18/21	<u>30,997,732</u>	
21	Percent allocated to Texas	36.94%	SWEPCO allocation factor at W/P Schedule B-1 5 17-1
22		<u>11,450,562</u>	
23		1.265823	Gross-up factor
24		<u>14,494,385</u>	Total Protected Excess to be returned to Texas ratepayers

**SOUTHWESTERN ELECTRIC POWER COMPANY
AMORTIZATION OF PROTECTED AND UNPROTECTED
EXCESS DEFERRED TAXES
FOR THE TEST YEAR ENDED March 31, 2020**

Line No.	Description	Test Year Amortization	Test Year Amortization Adjustment	Test Year Amortization As Adjusted	Reference
1	Protected Excess Deferred Taxes:				
2	Liberalized Depreciation	\$8,383,702	(4,664,032)	\$3,719,670	G-7.9a
3	Unprotected Excess Deferred Taxes:				
4	Liberalized Depreciation	0	0	0	
5	Basis Differences	0	0	0	
6	Deferred Accounting	0	0	0	
7	Non-Property Deferred Taxes	0	0	0	
8	Total Unprotected	0	0	0	
9	Total Excess Deferred Taxes	\$8,383,702	(\$4,664,032)	\$3,719,670	
10	<u>Requested Amortization Methodology</u>				
11	Protected - Average Rate Assumption Method (ARAM) pursuant to Section 13001(d) of Tax Cuts and Jobs Act of 2017. Rate Difference reverses as related timing difference reverses.				

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FIRST REQUEST FOR INFORMATION**

Question No. OPUC 1-25:

Please refer to Schedule G-7.4, sponsored by Mr. David A. Hodgson. Please admit or deny that there have been excess deferred federal income tax amounts amortized to owner equity since January 2018. If admit, please provide the total amounts that have been amortized to owner equity accounts up to the most recent amortization.

Response No. OPUC 1-25:

Protected excess amortization is calculated using the average rate assumption method (ARAM). The amortization of protected excess under the ARAM begins after the effective date of a tax rate change and at the time book depreciation exceeds tax depreciation on any given vintage of asset additions. For SWEPCO, this amortization began in January 2018.

The Company received orders from its various regulatory jurisdictions on the manner in which to provide the benefits of the amortization of protected excess to its customers for the period beginning January 1, 2018 until the receipt of the orders. The Company was ordered by the PUCT to record a provision for refund for the amortization of excess allocated to Texas customers until such time that this amortization is included in rates. This is discussed in the testimony of Company witness Mr. Thomas Brice. As such, the Company has not recognized a net benefit to owner equity accounts related to the Texas jurisdictional portion of protected excess.

The amortization of unprotected excess is dictated by an order from a regulatory body. The Company's regulators have provided for various periods and methods for which to amortize their customer's share of the unprotected excess balance. The Company has not received an order from the PUCT regarding the amortization of unprotected excess. The Company has proposed in this case to use the Texas jurisdictional share of this balance to offset the unrecovered cost of the Dolet Hills Power Station as described in the testimony of Company witness Mr. Thomas Brice.

Schedule G-7.4 provides the total company ADIT balances for rate base at 03/31/2020. These amounts reflect the remaining unamortized balance of excess ADFIT at a total company level. The unamortized balance of protected excess to return to Texas ratepayers is discussed in the testimony of Mr. David Hodgson.

The Company has amortized \$63,978,331 to the income tax line of the income statement for the period starting January 2018 through September 2020 related to all jurisdictions related to both

protected and unprotected excess. Due to provisions for refunds as discussed above, this amount does not reflect the overall impact to the owner equity accounts of the company.

Prepared By: Jessica M. Criss

Title: Tax Analyst Prin

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

STAFF UNPROTECTED EXCESS ADFIT

Staff Adjustment based on SWEPCO response to CARD 4-32

Line #	Description	Unprotected	Notes
1	Excess Balance 01 01 18	(50,479,142)	Beginning Balance of Remeasurement (See CARD 4-31 Attachment 1)
2			
3			
4			
5	Adjusted Balance 12 31 18	(50,479,142)	
6	Amended Return Remeasurement	(252,148)	Adjustment due to amended returns
7	2017 RTP + Reclassifications	(16,231,778)	Adjustments for 2017 Tax Return True-ups and reclassification entries
8			
9			
10	Adjusted Balance 12 31 19	(66,963,068)	
11	2019 RTP	-	Adjustment of 2019 Amortization for Tax Return actuals
12			
13			
14	Adjusted Balance	(66,963,068)	Excluding amortization related to other jurisdictions
		36.94%	Texas Factor per W/P Schedule B-1 5 17 1
		(24,736,157)	Texas Share Prior to Gross-up
		1.265823	Gross-up Factor
		(31,311,597)	Total Unprotected Excess to be returned to Texas Ratepayers

W/P Schedule A-3.13.1

SOUTHWESTERN ELECTRIC POWER COMPANY
Ad Valorem Taxes
For the Test Year Ended March 31, 2020

Line #	Description	Schedule Reference	Worksheet Reference	Amount	
1	January 1, 2019 Net Electric Plant Subject to Ad Valorem Tax	G-9.1		6,315,734,214	
2	Ad Valorem Taxes Paid For 2019 Tax Year	G-9.1		63,325,856	
3	Ratio of Ad Valorem Tax Expense to Net Utility Plant at January 1, 2019			0.0100266816	
4	03-31-2020 Net Electric Plant (A)			6,824,528,669	
5	Ad Valorem Tax on March 31, 2020 Pro Forma Utility Plant Balance	(3) x (4)		68,427,376	
6	Less Projected Capitalization of Ad Valorem Tax			(962,870)	
7	Ad Valorem Tax on 03-31-2020 Plant Balance			67,464,506	
8	Ad Valorem Tax Expense for Test Year (B)			62,415,506	
9	Ad Valorem Tax Adjustment			5,049,000.40	Texas 1,828,874.22
					Ark 1,278,848.25
					La 2,105,739.49
					OK 37,737.45
10	03-31-2020 Plant Balance Subject To Ad valorem Tax (A)				5,049,000.40
	1010001 Plant in Service			9,282,029,380	
	1011001 Capital Leases			53,016,644	
	1011006 Prov-Leased Assets			(23,188,269)	
	1011012 Accrued Capital Leases			229,699	
	1011031 Operating Lease			52,090,397	
	1011032 Accrued Operating Leases			506,079	
	1011036 Prov - Operating Lease Assets			(7,877,254)	
	1060001 Const Not Classified			319,515,794	
	1160007 Other Elec Plt Adj- Turk Impairment			(58,411,747)	
	1160008 Turk AFUDC Reverse TC Cap - EPISOther Elec Plt Adj- Turk Impairment			(1,313,077)	
	1160009 AmortTurkImpmnt&AFUDCReversal			7,902,825	
	1160012 Turk Impmnt-AuxBoiler			(18,500,000)	
	1160013 Turk Impmnt-AuxBoiler Amort			2,609,846	
	1160016 TX Trans Veg Mgmt Cost Writeoff			(1,965,876)	
	1160017 TX Distr Veg Mgmt Cost Writeoff			(4,103,577)	
	1160018 TX Distr Veg Mgt WriteOff Amort			494,291	
	1160019 TX Tran Veg Mgt WriteOff Amort			110,220	
	1160020 Trans Costs - SERP			(185,343)	
	1160021 Distr Costs - SERP			(154,789)	
	1160022 Gen Costs - SERP			(297,729)	
	1160023 CWIP FinBased Incon - Trans			(3,261,424)	
	1160024 CWIP FinBased Incon - Distr			(6,097,633)	
	1160025 CWIP FinBased Incon - Gen			(3,073,691)	
	1160026 RWIP FinBased Incon - Trans			(65,384)	
	1160027 RWIP FinBased Incon - Distr			(289,788)	
	1160028 RWIP FinBased Incon - Gen			(124,731)	
	1070001 CWIP - Project			226,302,804	
	1080001 Accum Prov For Depr of Plt			(2,725,023,892)	
	1080005 RWIP Project Detail			15,311,493	
	1080011 Cost of Removal Reserve			(466,911,900)	
	1080013 ARO Removal Depreciation - Accretion			8,405,956	
	1080155 Unrecovered Plant			35,224,555	
	1080160 AR Plt Retire-Unrecover Plant			14,888,618	
	1080161 DH GAAP Depreciation			9,125,930	
	1110001 Accum Prov for Amortization of Plant - Intangible			(56,356,973)	
	1110007 Cloud Implement - A/P Amrt Plt			(8,723)	
	Schd B-1 Pro Forma Adjustments to Net Electric Plant in Service			193,905,829	Link to Pro forma plant adjustments - Net
				6,824,528,669	
11	Test Year Ad Valorem Tax Expense (B)				
	408100517 Real & Personal Property Taxes			125,516	
	408100518 Real & Personal Property Taxes			(102,504)	
	408100519 Real & Personal Property Taxes			45,977,170	
	408100520 Real & Personal Property Taxes			16,288,380	
	408102917 Real-Pers Prop Tax-Cap Leases			(11,474)	
	408102919 Real-Pers Prop Tax-Cap Leases			101,168	
	408102920 Real-Pers Prop Tax-Cap Leases			37,250	
	Total Expense Recorded			62,415,506	

W/P Schedule A-3.13.1

SOUTHWESTERN ELECTRIC POWER COMPANY
Ad Valorem Taxes
For the Test Year Ended March 31, 2020

Line #	Description	Schedule Reference	Worksheet Reference	Amount
1	January 1, 2019 Net Electric Plant Subject to Ad Valorem Tax	G-9.1		6,315,734,214
2	Ad Valorem Taxes Paid For 2019 Tax Year	G-9.1		63,325,856
3	Ratio of Ad Valorem Tax Expense to Net Utility Plant at January 1, 2019			0.0100266816
4	03-31-2020 Net Electric Plant (A)			6,824,528,669
5	Ad Valorem Tax on March 31, 2020 Pro Forma Utility Plant Balance	(3) x (4)		68,427,376
6	Less Projected Capitalization of Ad Valorem Tax			(962,870)
7	Ad Valorem Tax on 03-31-2020 Plant Balance			67,464,506
8	Ad Valorem Tax Expense for Test Year (B)			62,415,506
9	Ad Valorem Tax Adjustment			5,049,000.40
			Texas	1,828,874.22
			Ark	1,278,649.25
			La	2,105,739.49
			OK	37,737.45
10	03-31-2020 Plant Balance Subject To Ad valorem Tax (A)			5,049,000.40
1010001	Plant In Service			9,262,029,380
1011001	Capital Leases			53,016,644
1011006	Prov-Leased Assets			(23,188,269)
1011012	Accrued Capital Leases			229,699
1011031	Operating Lease			52,090,397
1011032	Accrued Operating Leases			506,079
1011036	Prov - Operating Lease Assets			(7,877,254)
1060001	Const Not Classified			319,515,794
1160007	Other Elec Plt Adj- Turk Impairment			(58,411,747)
1160008	Turk AFUDC Reverse TC Cap - EPISIOther Elec Plt Adj- Turk Impairment			(1,313,077)
1160009	AmortTurkImpmnt&AFUDCReversal			7,902,825
1160012	Turk Impmnt-AuxBoiler			(18,500,000)
1160013	Turk Impmnt-AuxBoiler Amort			2,609,846
1160016	TX Trans Veg Mgmt Cost WriteOff			(1,965,076)
1160017	TX Distr Veg Mgmt Cost WriteOff			(4,103,577)
1160018	TX Dist Veg Mgt WriteOff Amort			494,291
1160019	TX Tran Veg Mgt WriteOff Amort			110,220
1160020	Trans Costs - SERP			(185,343)
1160021	Distr Costs - SERP			(154,769)
1160022	Gen Costs - SERP			(297,729)
1160023	CWIP FinBased Incen - Trans			(3,261,424)
1160024	CWIP FinBased Incen - Distr			(6,097,633)
1160025	CWIP FinBased Incen - Gen			(3,073,691)
1160026	RWIP FinBased Incen - Trans			(85,384)
1160027	RWIP FinBased Incen - Distr			(289,788)
1160028	RWIP FinBased Incen - Gen			(124,731)
1070001	CWIP - Project			220,392,894
1080001	Accum Prov For Depr of Plt			(2,725,023,892)
1080005	RWIP Project Detail			15,311,493
1080011	Cost of Removal Reserve			(466,911,900)
1080013	ARO Removal Depreciation - Accretion			8,405,956
1080155	Unrecovered Plant			35,224,555
1080160	AR Plt Retire-Unrecover Plant			14,888,618
1080161	DH GAAP Depreciation			9,125,930
1110001	Accum Prov for Amortization of Plant - Intangible			(56,356,973)
1110007	Cloud Implement - A/P Amrt Plt			(8,723)
	Schd B-1 Pro Forma Adjustments to Net Electric Plant In Service			193,905,829
				6,824,528,669
				Link to Pro forma plant adjustments - Net
11	Test Year Ad Valorem Tax Expense (B)			
408100517	Real & Personal Property Taxes			125,516
408100518	Real & Personal Property Taxes			(102,504)
408100519	Real & Personal Property Taxes			45,977,170
408100520	Real & Personal Property Taxes			16,288,380
408102917	Real-Pers Prop Tax-Cap Leases			(11,474)
408102919	Real-Pers Prop Tax-Cap Leases			101,168
408102920	Real-Pers Prop Tax-Cap Leases			37,250
	Total Expense Recorded			62,415,506

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S FIFTH REQUEST FOR INFORMATION**

Question No. Staff 5-22:

Refer to the electronic workbook for WP A-3.13.1 (ad valorem) at cell E10. Please provide a detailed explanation and reference to other rate filing package schedules for each value included in the formula in this cell. Please also reconcile the value in this cell to Schedule G-9 as referenced.

Response No. Staff 5-22:

Please see Staff 5-22 Attachment 1 Ad Valorem.

Prepared By: Randall W. Hamlett

Title: Dir Regulatory Acctg Svcs

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Southwestern Electric Power Company

SOAH Docket No. 473-21-0538
PUC Docket No. 51415
Staff's 5th, Q. #Staff 5-22
Attachment 1
Page 1 of 1

		January 1, 2019 Net Electric Plant Subject to Ad Valorem	
		Tax	NEPIS
WP A-3.13.1 Ad Valorem		Cell E10	Schedule G-9
1010001 Plant in Service	8,822,227,314.60	8,822,227,314.60	Cell G13
1060001 Const Not Classifd	364,639,271.70	364,639,271.70	Cell G13
1070001 CWIP - Project	194,666,171.15	194,666,171.15	Cell H13
1080001 A/P for Deprec of Plt	(2,557,733,343.18)	(2,557,733,343.18)	Cell I 13
1080005 RWIP - Project Detail	12,724,513.56	12,724,513.56	Cell I 13
1080011 Cost of Removal Reserve	(444,907,524.86)	(444,907,524.86)	Cell I 13
1080013 ARO Removal Deprec - Accretion	7,075,414.73	7,075,414.73	Cell I 13
1080155 Unrecovered Plant	50,276,783.68	50,276,783.68	Cell I 13
1110001 A/P for Amort of Plt	(50,977,524.16)	(50,977,524.16)	Cell I 13
1160007 OthElecPltAdjTurkImprmnt-EPIS	(58,411,747.11)		
1160008 TurkAFUDCReverseTXCap-EPIS	(1,313,076.50)		
1160009 AmortTurkImprmnt&AFUDCReversal	6,546,227.84		
1160012 Turk Imprmnt-AuxBoiler	(18,500,000.00)		
1160013 Turk Imprmnt-AuxBoiler Amort	2,138,096.00		
1160016 TX Trans Veg Mgmt Cost Wrttoff	(1,543,538.61)		
1160017 TX Distr Veg Mgmt Cost Wrttoff	(4,103,577.10)		
1160018 TX Dist Veg Mgt WriteOff Amort	356,359.27		
1160019 TX Tran Veg Mgt WriteOff Amort	71,835.85		
1160020 TX Trans Costs - SERP	(159,865.70)		
1160021 TX Distr Costs - SERP	(48,245.39)		
1160022 TX Gen Costs - SERP	(299,406.09)		
1160023 TX CWIP FinBased Incen - Trans	(1,892,898.49)		
1160024 TX CWIP FinBased Incen - Distr	(2,264,368.51)		
1160025 TX CWIP FinBased Incen - Gen	(2,574,754.32)		
1160026 TX RWIP FinBased Incen - Trans	(65,227.75)		
1160027 TX RWIP FinBased Incen - Distr	(96,563.07)		
1160028 TX RWIP FinBased Incen - Gen	(96,013.34)		
CWIP not included			(194,666,171.15)
	Cell E10	<u>6,315,734,314.19</u>	<u>6,203,324,906.07</u> Cell J13

These account balances are as of 01/01/2019 (the assesment date for the 2019 Ad Valrem tax assessment)
and as such are not referenced in the filing as of that date.

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S FIFTH REQUEST FOR INFORMATION**

Question No. Staff 5-23:

Refer to the electronic workbook for WP A-3.13.1 (ad valorem). For each amount included in cells E29 through E65, provide the January 1, 2019 balance of each.

Response No. Staff 5-23:

Please see Staff 5-23 Attachment 1 Book Balances.

Prepared By: James D. Spring

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SOAH Docket No 473-21-0538
PUC Docket No 51415
STAFF's 5th, Q. # STAFF 5-23
Attachment 1
Page 1 of 1

SOUTHWESTERN ELECTRIC POWER COMPANY

Line

#	Account / Description	01/01/2019 Book Balance
1	1010001 Plant In Service	8,822,227,315
2	1011001 Capital Leases	46,439,145
3	1011006 Prov-Leased Assets	(20,762,078)
4	1011012 Accrued Capital Leases	164,893
5	1011031 Operating Lease	-
6	1011032 Accrued Operating Leases	-
7	1011036 Prov - Operating Lease Assets	-
8	1060001 Const Not Classified	364,639,272
9	1160007 Other Elec Plt Adj- Turk Impairment	(58,411,747)
10	1160008 Turk AFUDC Reverse TC Cap - EPISOther Elec Plt Adj- Turk Impairment	(1,313,077)
11	1160009 AmortTurkImprmnt&AFUDCReversal	6,546,228
12	1160012 Turk Imprmnt-AuxBoiler	(18,500,000)
13	1160013 Turk Imprmnt-AuxBoiler Amort	2,138,096
14	1160016 TX Trans Veg Mgmt Cost Wrtedoff	(1,543,539)
15	1160017 TX Distr Veg Mgmt Cost Wrtedoff	(4,103,577)
16	1160018 TX Dist Veg Mgt WriteOff Amort	356,359
17	1160019 TX Tran Veg Mgt WriteOff Amort	71,836
18	1160020 Trans Costs - SERP	(159,866)
19	1160021 Distr Costs - SERP	(48,245)
20	1160022 Gen Costs - SERP	(299,406)
21	1160023 CWIP FinBased Incen - Trans	(1,892,898)
22	1160024 CWIP FinBased Incen - Distr	(2,264,369)
23	1160025 CWIP FinBased Incen - Gen	(2,574,754)
24	1160026 RWIP FinBased Incen - Trans	(65,228)
25	1160027 RWIP FinBased Incen - Distr	(96,563)
26	1160028 RWIP FinBased Incen - Gen	(96,013)
27	1070001 CWIP - Project	194,666,171
28	1080001 Accum Prov For Depr of Plt	(2,557,733,343)
29	1080005 RWIP Project Detail	12,724,514
30	1080011 Cost of Removal Reserve	(444,907,525)
31	1080013 ARO Removal Depreciation - Accretion	7,075,415
32	1080155 Unrecovered Plant	50,276,784
33	1080160 AR Plt Retire-Unrecover Plant	-
34	1080161 DH GAAP Depreciation	-
35	1110001 Accum Prov for Amortization of Plant - Intangible	(50,977,524)
36	1110007 Cloud Implement - A/P Amrt Plt	-
37	Schd B-1 Pro Forma Adjustments to Net Electric Plant in Service	N/A
38		<u>6,341,576,275</u>

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-8:

Please discuss SWEPCO's accounting for all lease expenses in the FERC Form No. 1. The discussion should explain SWEPCO's accounting for lease payments and all other expenses related to any type of lease.

Response No. ETEC-NTEC 1-8:

SWEPCO lease property, plant and equipment including, but not limited to, fleet, information technology and real estate leases. These leases require payments of non-lease components, including related property taxes, operating and maintenance costs. As of the adoption date of ASU 2016-02, management elected not to separate non-lease components from associated lease components in accordance with the accounting guidance for "Leases." Many of these leases have purchase or renewal options. Leases not renewed are often replaced by other leases. Options to renew or purchase a lease are included in the measurement of lease assets and liabilities if it is reasonably certain SWEPCO will exercise the option. Lease obligations are measured using the discount rate implicit in the lease when that rate is readily determinable. AEP has visibility into the rate implicit in the lease when assets are leased from selected financial institutions under master leasing agreements. When the implicit rate is not readily determinable, SWEPCO measures their lease obligation using their estimated secured incremental borrowing rate. Incremental borrowing rates are comprised of an underlying risk free rate and a secured credit spread relative to the lessee on a matched maturity basis. Operating and Finance lease rental costs are generally charged to Operation Expenses and Maintenance Expenses in accordance with rate-making treatment for regulated operations. Therefore, SWEPCO classifies interest expense on regulated finance leases as operating expenses instead of other income (expense). Lease costs associated with capital projects are included in Utility Plant on the balance sheets. For regulated operations with finance leases, a finance lease asset and offsetting liability are recorded at the present value of the remaining lease payments for each reporting period.

SWEPCO leases certain equipment under master lease agreements. Under the lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, SWEPCO is committed to pay the difference between the actual fair value and the residual value guarantee. Historically, at the end of the lease term the fair value has been in excess of the amount guaranteed.

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

STAFF ADJUSTMENT TO AD VALOREM TAXES

Description	Reference	Amount	Staff Adjusted Ad Valorem	
January 1, 2019 Net Electric Plant Subject to Ad Valorem Tax	G-9 1	6,315,734,214	6,341,576,275	Staff 5-23 Includes Capital Leases at 1/1/2019
Ad Valorem Taxes Paid For 2019 Tax Year	G-9 1	63,325,856	63,325,856	
Ratio of Ad Valorem Tax Expense to Net Utility Plant at January 1, 2019		0.0100266816	0.00998582	
03-31-2020 Net Electric Plant (A)		6,824,528,669	6,447,769,836	6,824,528,669 Co Req Plant Subj to Ad Val (44,719,222) Operating Leases (224,168,719) Depr Difference TX rates (55,514,899) AFUDC Interest TX rates (42,039) Capitalized Incentive (39,073,484) Dolet Hills SWEPCO adj bal (13,240,470) Retired Generating Units 6,447,769,836 Plant for Ad Valorem
Ad Valorem Tax on March 31, 2020 Pro Forma Utility Plant Balance	(3) x (4)	68,427,376	64,386,286	
Less Projected Capitalization of Ad Valorem Tax		(962,870)	(962,870)	
Ad Valorem Tax on 03-31-2020 Plant Balance		67,464,506	63,423,416	
Ad Valorem Tax Expense for Test Year (B)		62,415,506	62,415,506	
Ad Valorem Tax Adjustment		5,049,000.40	1,007,910	(4,041,090) Staff Adjustment to SWEPCO Req

03-31-2020 Plant Balance Subject to Ad Valorem Tax (A)

1010001 Plant In Service	9,262,029,380	
1011001 Capital Leases	53,016,644	
1011006 Prov-Leased Assets	(23,188,269)	
1011012 Accrued Capital Leases	229,699	
1011031 Operating Lease	52,090,397	
1011032 Accrued Operating Leases	506,079	Net Operating Leases \$44,719,222
1011036 Prov - Operating Lease Assets	(7,877,254)	
1060001 Const Not Classified	319,515,794	
1160007 Other Elec Plt Adj- Turk Impairment	(58,411,747)	
1160008 Turk Alt-UDC Reverse TC Cap - EPIS/Other Elec Plt Adj- Turk Impairment	(1,313,077)	
1160009 Amort/Turk Imprmnt&AFUDC Reversal	7,902,825	
1160012 Turk Imprmnt-AuxBoiler	(18,500,000)	
1160013 Turk Imprmnt-AuxBoiler Amort	2,609,846	
1160016 TX Trans Veg Mgmt Cost Writeoff	(1,965,876)	
1160017 TX Dist Veg Mgmt Cost Writeoff	(4,103,577)	
1160018 TX Dist Veg Mgt WriteOff Amort	494,291	
1160019 TX Tran Veg Mgt WriteOff Amort	110,220	
1160020 Trans Costs - SERP	(185,343)	
1160021 Dist Costs - SERP	(154,769)	
1160022 Gen Costs - SERP	(297,729)	
1160023 CWIP FinBased Incen - Trans	(3,261,424)	
1160024 CWIP FinBased Incen - Distr	(6,097,633)	
1160025 CWIP FinBased Incen - Gen	(3,073,691)	
1160026 RWIP FinBased Incen - Trans	(85,384)	
1160027 RWIP FinBased Incen - Distr	(289,788)	
1160028 RWIP FinBased Incen - Gen	(124,731)	
1070001 CWIP - Project	226,392,894	
1080001 Accum Prov For Depr of Plt	(2,725,023,892)	
1080005 RWIP Project Detail	15,311,493	
1080011 Cost of Removal Reserve	(466,911,900)	
1080013 ARO Removal Depreciation - Accretion	8,405,956	
1080155 Unrecovered Plant	35,224,555	
1080160 AR Plt Retire-Unrecover Plant	14,888,618	
1080161 DH GAAP Depreciation	9,125,930	
1110001 Accum Prov for Amortization of Plant - Intangible	(56,356,973)	
1110007 Cloud Implement - A/P Amrt Plt	(8,723)	
Schd B-1 Pro Forma Adjustments to Net Electric Plant in Service	193,905,829	Link to Pro forma plant adjustments - Net
	6,824,528,669	

Test Year Ad Valorem Tax Expense (B)

408100517 Real & Personal Property Taxes	125,516
408100518 Real & Personal Property Taxes	(102,504)
408100519 Real & Personal Property Taxes	45,977,170
408100520 Real & Personal Property Taxes	16,288,380
408102917 Real-Pers Prop Tax-Cap Leases	(11,474)
408102919 Real-Pers Prop Tax-Cap Leases	101,168
408102920 Real-Pers Prop Tax-Cap Leases	37,250
Total Expense Recorded	62,415,506

STAFF FICA ADJUSTMENT

<u>Description</u>	<u>SWEPco Adjustment Total</u>	<u>Staff FICA Adjustment</u>
FICA Adjustment For Base Payroll Adjustment		
SWEPco Base Payroll - Test Year	121,844,696	
SWEPco OT	19,534,726	
Special Pay	25,802,121	
Total SWEPco Test Year Compensation	167,181,544	
SWEPco Base Test Year Payroll As a % of Total SWEPco	72.8816670%	
Total FICA Costs	10,808,834	6.4653% effective FICA rate for total TY compensation
FICA Costs Capitalized	(3,837,170)	(10,808,834/167,181,544)
Total FICA Expensed	6,971,664	
% of Compensation Attributable to Base Pay	72.8816670%	
FICA Expensed Attributable to Base Pay	5,081,065	
SWEPco Proforma Base Payroll	127,315,696.05	544,331 Staff adjustment to SWEPco's PR
% change in Test Year Payroll	4.4901422%	6.4653% calculated above
Increase (Decrease) FICA Expense For Base Pay	228,147	35,193 Staff Adjustment to FICA for SWEPco PR adj
FICA Adjustment For Incentive Compensation Adjustment		
% of Compensation Attributable to Special Pay	15.4335944%	
FICA Expensed Attributable to Special Pay	1,075,978.36	
SWEPco Proforma Special Pay	21,431,029.26	(50,709) Staff Adj to SWEPco incentive comp
% of change in Special Pay	-16.9408243%	6.4653% calculated above
Increase (Decrease) FICA Expense for Special Pay	(182,280)	(3,279) Staff Adjustment for FICA SWEPco Incentive Adj
Total FICA Adjustment SWEPco	45,867	31,914 Staff total FICA Adjustment for SWEPco Payroll and Incentive
Adjustment to AEPSC FICA for Staff Payroll and Incentive Adjustments Using effective rate for SWEPco calculated, above:		
Staff Adjustment to requested AEPSC payroll		(4,480,512)
Effective rate from above		6.4653%
		(289,680) Staff Adjustment for for FICA AEPSC payroll
Staff Adjustment to requested AEPSC Incentive		(6,131)
Effective rate from above		6.4653%
		(396) Staff Adjustment for FICA AEPSC Incentive
		(290,076) Staff total FICA Adjustment for AEPSC
		(258,162) Total Staff FICA Adjustment

LIST OF PREVIOUS TESTIMONY
Before the Public Utility Commission of Texas

Docket No. 9874:

Application of Kimble Electric Cooperative, Inc. for Authority to Change Rates

Docket No. 9981:

Inquiry of the General Counsel into the Reasonableness of the Rates and Services of Central Telephone Company of Texas

Docket No. 13050:

Application of Rayburn Country Electric Cooperative, Inc. for Authority to Change Rates

Docket No. 12065:

Complaint of Kenneth D. Williams Against Houston Lighting and Power Company

Docket No. 14980:

Application of Southwestern Public Service Company Regarding Proposed Business Combination with Public Service Company of Colorado

Docket No. 17751:

Texas-New Mexico Power Company's Application for Approval of the TNMP Transition Plan and Statement of Intent to Decrease Rates, and Appeal of Municipal Rate Actions

Docket No. 29206:

Application of Texas-New Mexico Power Company, First Choice Power, Inc., and Texas Generating Company, L.P. to Finalize Stranded Costs Under PURA §39.262

Docket No. 28813:

Petition to Inquire into the Reasonableness of the Rates and Services of Cap Rock Energy Corporation

Docket No. 31994:

Application of Texas-New Mexico Power Company to Establish a Competition Transition Charge

Docket No. 32766:

Application of Southwestern Public Service Company for: (1) Authority to Change Rates; (2) Reconciliation of its Fuel Costs for 2004 and 2005; (3) Authority to Revise the Semi-Annual Formulae Originally Approved in Docket No. 27751 used to Adjust its Fuel Factors; and (4) Related Relief

Docket No. 34800:

Application of Entergy Gulf States, Inc. for Authority to Change Rates and to Reconcile Fuel Costs

Docket No. 40627:

Petition for Homeowners United for Rate Fairness to Review Austin Rate Ordinance No. 20120607-055

Docket No. 41430:

Joint Report and Application of Sharyland Utilities, LP, Sharyland Distribution & Transmission Services, and Southwestern Public Service Company for Approval of Purchase and Sale of Facilities, for Regulatory Accounting Treatment of Gain on Sale, and for Transfer of Certificate Rights

Docket No. 41906

Compliance Tariff of CenterPoint Energy Houston Electric LLC Related to Non-Standard Metering and Service Pursuant to PUC SUBST.R.25.133

Docket No. 41901

Compliance Tariff of Texas-New Mexico Power Company LLC Related to Non-Standard Metering and Service Pursuant to PUC SUBST.R.25.133

Docket No. 41890

Compliance Tariff of Oncor Electric Delivery Company LLC Regarding the Rulemaking Related to Advanced Metering Alternatives, Pursuant to PUC SUBST.R.25.133(E)(1)

Docket No. 45747

Application of CenterPoint Energy Houston Electric, LLC to Amend its Distribution Cost Recovery Factor and to Reconcile Docket No. 44572 Revenues

Docket No. 46449

Application of Southwestern Electric Power Company for Authority to Change Rates

Docket No. 48371

Entergy Texas Inc. 's Statement of Intent and Application for Authority to Change Rates

Docket No. 48233

Application of Southwestern Electric Power Company to Implement Base Rate Decrease in Compliance with Docket No. 46449

Docket No. 48071

Joint Application of NextEra Energy Transmission Southwest, LLC and Rayburn Country Electric Cooperative, Inc. to Transfer Certificate Rights to Facilities in Cherokee, Smith, and Rusk Counties

Docket No. 47141

Review of Rate Case Expenses Incurred by Southwestern Electric Power Company and Municipalities in Docket No. 46449

Docket No. 48439

Review of the Rate Case Expenses Incurred in Docket No. 48371

Docket No. 49737

Application of Southwestern Electric Power Company for Certificate of Convenience and Necessity Authorization and Related Relief for the Acquisition of Wind Generation Facilities

Docket No. 50731

Application of Texas-New Mexico Power Company for a Distribution Cost Recovery Factor

Docket No. 50205

Application of Floresville Electric Light and Power System to Change Rates for Wholesale Transmission Service

Docket No. 50790

Joint Report and Application of Entergy Texas, Inc. and East Texas Electric Cooperative, Inc. for Regulatory Approvals Related to Transfers of the Hardin County Peaking Facility and a Partial Interest in Montgomery Power Station

Docket No. 50908

Application of CenterPoint Energy Houston Electric, LLC to Adjust its Energy Efficiency Cost Recovery Factor

Docket No. 50806

Application of CenterPoint Energy Houston Electric, LLC to Adjust its Energy Efficiency Cost Recovery Factor and Establish Revised Cost Cap

Docket No. 51215

Application of Entergy Texas, Inc. to Amend its Certificate of Convenience and Necessity for the Acquisition of a Solar Facility in Liberty County